

Chapter 15

Receivables and Debt Management

15-1. General

This chapter disseminates legislation emphasizing management and collection of debts owed the United States (U.S.); defines the objectives of the U.S. Army debt management plan, and its applicability to installations; provides an overview of accountant's responsibilities in managing accounts, as well as an overview for individuals who create, identify or manage debt; specifies the accounting standard to be followed when it is agreed to modify debt agreements because of the debtor's financial difficulties; specifies the accounting for the fair market value of assets received in excess of the debt to be satisfied; and provides the procedures for collecting debts by salary and administrative offset under the Debt Collection Act of 1982.

15-2. Professional requirements

a. Accountants, to effectively manage accounts receivable, must be familiar with the following:

(1) Serviced activities' missions, types of goods and services provided, customer profiles and accounting information requirements.

(2) Documentation and collection procedures for all debt types, follow-up provisions, and the levels at which each procedure occurs.

(3) The vulnerability of debt management as an issue, particularly with respect to public visibility and misinterpretation.

(4) Installation prerogatives for terminating services to delinquent customers. This includes being knowledgeable of and sensitive to-

(a) The political environment.

(b) The command structure involved in service to the U.S. Army and other services or other U.S. Government tenant activities.

(c) The mission essential needs of customers.

(d) The installation as part of the surrounding community.

(e) The affect on individuals and private organizations.

b. Accountants will understand that each public debt adds to the U.S. Government's deficit (measured by outlays in excess of receipts). These debts are not limited to reimbursable activity earnings, but also include delinquent advances, overpayments, interest charges and fees, U.S. Government property lost or damaged, and so forth.

c. Accountants will understand internal control requirements that apply to accounts receivable management for each type of serviced activity (for example, hospital, and commissary) as well as those that apply to accounting system controls. Internal control checklists are published in Appendix I. To determine applicability and availability, consult the current U.S. Army management control plan.

d. Accountants directly involved in debt collection will possess interactive skills adequate to determine effective tone for correspondence. This includes telephone and face-to-face communication with senior members of command, debtors, creditors, litigators, hearing officials, and others involved in the debt management process.

e. Accountants are required to be familiar with the procedural and administrative requirements required locally prior to utilizing the transfer program. This program does not relieve the installation from exhausting all possible avenues of collection.

Accountants will review supporting documentation and the transfer voucher to ensure completeness to preclude rejection by the Defense Finance and Accounting Service-Indianapolis Center (DFAS-IN).

15-3. Responsibilities

a. Accountants will interact regularly with activities providing supplies or services on a reimbursable basis. This includes entities who identify debt due the U.S. Government, and debtors. This interaction is to exchange information, assist in report interpretation, collect amounts due, and other routine matters.

Accountants must take necessary steps to enhance communication among activities involved in debt management. This is accomplished by taking the initiative to advise resource managers on debt management issues and problems, discussing alternative methods of doing business, and soliciting their support.

(1) Know the debtor profile for each activity to assist and advise on follow-up techniques, to avoid delinquencies.

(2) Maintain contact with personnel in serviced activities and expedite obtaining information on delinquent accounts, to avoid write-offs.

b. Accountants will provide regular analysis to identify workflow problems and unfavorable trends. Accountants will provide an overview of the effectiveness of the installation debt management program. This may require bringing unfavorable collection trends to the attention of the responsible organization. In severe instances, the installation commander should be notified. Be prepared to discuss remedies and alternatives for current collection methods. Use data and workflow analysis techniques to resolve existing problems and identify potential problems. The debt management module of automated processes will provide valuable tools for accountants to analyze receivable activity.

c. Accountants will identify procedures which contribute to unfavorable trends when analyzing accounts receivable transactions. This requires the full cooperation of activities incurring various types of debt. It often involves reviewing policies authorizing the service, as well as the financial procedures used for documenting and accounting for the service. Accountants will initiate a positive exchange of

information and encourage activities to seek assistance when questions or problems surface.

d. Accountants will suggest alternatives to "extending credit" in situations where flexibility is allowed by regulation or statute. Require cash collections for goods and services when credit difficulties are routinely incurred. Debt avoidance through cash advances/deposits from the customer or other methods is the most effective weapon against delinquent receivables.

e. Out-of-service accounts receivable (OSAR) is the single largest component of public receivables owed the U.S. Army. Generally, these amounts represent unearned bonuses and pay entitlement owed by service members who left the service earlier than expected. Accountants need to be aware that this problem exists, even though the oversight responsibility resides with the finance and accounting officer/defense accounting officer, including the pay and examination staff. Occasions arise where senior accountants represent the finance and accounting officer/defense accounting officer and some background knowledge of OSAR debt is required.

f. To effectively carry out the objectives of the U.S. Army debt management program, accountants must implement and monitor an installation debt management plan with primary emphasis on debt avoidance. Accountants responsibilities include the following efforts--

(1) Workflow analysis techniques to document timeliness of recording receivable transactions.

(2) Ensuring debt is accurately identified in the accounting records.

(3) Analyzing output products to ensure the plan is effective.

(4) Employing innovative methods and techniques to ensure improvements or enhancements to the system.

g. Accountants will develop, maintain, and execute a viable debt management plan and program. The program will encompass disposing of current debt, accumulated under a system with fewer controls, and anticipating future needs in an ever growing service and publicly visible environment. The success of the program will depend heavily on the degree to which accountants interact with serviced activities. This includes soliciting their cooperation in making the plan work. Effective accounts receivable management is a vital part of installation resource management. It must remain a high priority among accounting responsibilities. Accountants will take the lead in continuing to emphasize the importance of avoiding debt and making a cooperative effort to collect existing debt.

15-4. Debt Collection Act of 1982

a. Enactment of Public Law 97-365, the Debt Collection Act of 1982, generated a realignment of the U.S. Army's installation resource management accounting priorities. The major thrust of the Debt

Collection Act was to establish accountability for debt collection at the level the debt is incurred.

Installations felt a large impact in additional reporting requirements for accounts receivable. This included such information as amount and number of aged accounts receivable, amounts written off as uncollectible, and amount of interest charged and collected. The inevitable result of these labor intensive changes was heightened emphasis on "collecting receivables" in lieu of reporting them to DFAS-IN.

b. Debts become more difficult to collect with age. Characteristics of military debts present additional difficulties in collecting individual debts, as evidenced by consistently low collection ratios for soldiers after separation. Other unique reimbursable agreements (such as those executed with foreign governments) may also pose challenges for collection officials. A cooperative effort between activities generating and collecting receivables will produce good results and promote positive input to the installation debt management plan. An effective installation debt management plan must have the following objectives:

(1) To keep all receivables current.

(2) To ensure debt collection procedures are adequate and effective.

(3) To solicit the involvement and cooperation of the entire financial management community in reducing debt and, when necessary, in terminating services.

(4) To ensure materiality in pursuing old debt.

c. The U.S. Army's accounts receivable transfer program enables it to centrally collect and manage severely delinquent field receivables. This is accomplished by utilizing collection tools such as collection agencies, credit bureaus, and the Internal Revenue Service (IRS) locator and offset service.

15-5. Receivables

Accounts receivable include all amounts due the U.S. Government arising from taxes, sales of goods and services, sales of real and personal property, interest, fees, duties, rents, leases, royalties, services, claims, damages, audit disallowances, fines, penalties, forfeitures, dishonored checks, and administrative costs assessed on delinquencies.

15-6. Accounting for accounts receivable

a. Record accounts receivable when events occur that entitle a collection of funds. Such events include passage of the due date for collection of taxes, delivery of goods and services, or cash advances. Reduce receivables upon collection or other settlements. Use estimates when actual amounts are not known. Record accounts receivable promptly upon completion of acts which entitle the U.S. Army to collect amounts due even if the amount is subject to change through administrative appeal or litigation.

b. Record accounts receivable in the proper fund, appropriation, or receipt account under the following headings:

(1) Accounts receivable:

(a) From individuals,

1. For taxes

2. For goods and services provided

(b) From corporations,

1. For taxes

2. For goods and services provided

(c) From other Federal Government entities

(d) From other countries

(e) From state and local governments

(2) Advances:

(a) To individuals

(b) To corporations

(c) To other Federal Government entities

(d) To other countries

(e) To state and local governments

(3) Loans or notes receivable:

(a) From individuals

(b) From corporations

(c) From other Federal Government entities

(d) From other countries

(e) From state and local governments

c. Reduce receivables by an allowance for estimates of amounts that are uncollectible. Base estimates on past experience, present market conditions, and an analysis of the outstanding balances. The establishment of an allowance for uncollectible receivables does not eliminate the requirement to comply with procedures for the disposition of receivables.

d. Account for loans and notes receivable only after the funds have been disbursed.

e. When the interest rate for receivables from loans or contracts with non-Federal parties or receivables otherwise acquired is not stated or the stated interest rate is significantly less than the U.S. Treasury interest rate, recognize the additional cost to the U.S. Government of providing the money for the loan in the accounts in the year in which the loan is made. Using the average interest rate for marketable interest-bearing debt from the Secretary of the U.S. Treasury, determine the additional cost to the U.S. Government based on the difference between the stated rate of the loan and the U.S. Treasury's average interest rate for marketable interest-bearing debt. This requirement does not apply to short-term trade and other receivables with an original term of less than one year.

f. Record interest receivable when interest income is earned. Continue to record interest even when regular loan payments are not made, until the related debt is officially declared in default or debt agreement modification action is taken. In addition, 31 USC 3717 requires that we charge interest (as well as administrative costs and penalties) on delinquent debts. This law specifies that the minimum rate will be the average investment rate on

the U.S. Treasury's tax on a loan account for the 12 month period ending September 30th of each year, as prescribed by the U.S. Treasury Department.

g. As the receivable is paid (monthly, quarterly, and so forth), reduce any discount and credit interest.

h. Accounts receivable due from Federal agencies include all receivables due from U.S. Government activities for which funds are held in the U.S. Treasury. Accounts receivable due from non-Federal activities (public) are amounts due from state, local, and foreign governments, corporations, private individuals, and nonappropriated fund (NAF) activities. Receivables due from the Foreign Military Sales (FMS) Trust Fund are not considered public but are to be recorded as receivables due from other Federal Government agencies.

i. Refunds receivable are amounts due from erroneous payments and unliquidated delinquent advances. Deposit appropriation refunds to the appropriation account from which the original disbursement was made. Anticipated refunds do not reduce obligations nor increase unobligated fund balances. This should occur only at the time refund receivables are actually collected. Anticipated refunds for claims filed for return of Federal excise tax are this type of refund. If the claim is approved by the IRS and the refund is actually received, it may be collected into the appropriation from which it was paid if the appropriation can be specifically identified. Otherwise, collect it into miscellaneous receipts (See DA Pam 37-100-FY).

j. Credit is granted for materiel turned into a retail DBOF-SMA activity, by means of the alternate credit policy. This policy provides for credit at the time materiel is turned in to a retail DBOF-SMA activity by a customer. Credit is granted based on a percentage of the standard price. The "Home Office" computes the percentage for each materiel category at least quarterly based on the relationship of total credits received from the supplier to the standard value of total materiel returns.

k. Transfer without reimbursement all outstanding accounts, refunds, claims, and loans receivable as uncollected revenue to miscellaneous receipts (21R3200) as part of the year-end post closing procedure when an account closes. Account closing or transferring accounts, refunds, claims, and loans receivable to miscellaneous receipts does not relieve the FAOs/DAOs of the responsibility to pursue collections or recovery. Delinquent receivables determined to be uncollectible or not cost effective to pursue will be written off or transferred in accordance with guidance in this chapter.

15-7. Categories of debtors

a. Categories of debtors are established on the basis of the similarity of collection actions.

b. Category A debtors are individuals subject to salary or administrative offset. This category includes--

(1) Active duty, retired, or separating service members.

(2) Members of U.S. Army National Guard or U.S. Army Reserve units or Reserve Officers Training Corps (ROTC).

(3) Civilian employees (U.S. and foreign) of the Federal Government and former civilian employees receiving retirement payments.

c. Category B debtors are Federal Government contractors.

d. Category C debtors are other U.S. Army activities, Federal departments (or agencies), including the FMS Trust Fund.

e. Category D debtors are all other individuals including--

(1) Former service members or civilian employees, excluding retirees receiving retired pay.

(2) Former U.S. Military Academy or ROTC cadets.

(3) Reservists in an Individual Ready Reserve (IRR) status.

(4) Private citizens (U.S. or foreign).

(5) International Military Education and Training (IMET) students.

(6) Former IRR members.

f. Category E debtors are all other public debtors including--

(1) NAFIs. (This includes the U.S. Army/Air Force Exchange Service (AAFES)).

(2) Private organizations.

(3) State, local, and foreign governments (excluding FMS).

(4) International organizations.

(5) Firms or corporations not known to be U.S. Government contractors.

g. Medical accounts receivable are not a separate category of debt. However, collection procedures are sufficiently different from other types of debt to warrant special mention. Medical accounts may fall into Category A or D, and are subject to late interest charges, penalties, and administrative fees.

(1) The Medical Service Accountable Officer (MSAO) at the Medical Treatment Facility (MTF) is responsible for maintaining accountability for inpatient and outpatient medical care. This includes computing proper charges, submitting bills, processing collections, and performing all required follow-up actions on unpaid bills per AR 40-330 (Rates, Codes, Expense and Performance Reporting Systems, Centralized Billing, and Medical Services Accounts).

(2) All medical accounts receivable held by the MSAO are considered not delinquent. The MSAO will retain all documentation for 3 years or until collection is made. The MSAO will exhaust all collection procedures available within the proper time limits before transferring uncollectible accounts to the FAO/DAO.

(3) The MSAO makes an initial demand (this is the first debt notice) for payment on the day of discharge from the MTF. This is accomplished either by

presenting the patient with a bill in person, for which a receipt is obtained, or by mailing the patient a bill for an after hours discharge in the next day's mail.

The initial demand will include a complete explanation of the debtors rights, responsibilities and additional charges which may be levied. The MSAO will follow up on unpaid accounts using the criteria established in paragraph 15-11d. If based on paragraph 15-11d, the debtor is sent only one notice or two notices whichever is the final notice. The MSAO will advise that the unpaid account will be transferred to the servicing FAO/DAO. Make the initial demand, for debts in excess of \$100.00, for which there is no signed receipt, by certified mail. The initial demand for debts of \$100.00 or less can be made by regular mail. The MSAO will transfer the unpaid account to the servicing FAO/DAO after the final demand for payment is made, on DA Form 1854-R (Daily Transfer Summary). DA Form 1854-R is located at the back of this regulation. Prepare DA Form 1854-R as follows:

(a) List the delinquent and uncollectible accounts in the "Orders Received" section.

(b) Enter the patient's name in the "Customer" column and post the amount transferred in the "Amount" column.

(c) Enter the accounting classification that would have been used for collection if the account had been collected by the MSAO into the "Appropriation to be Reimbursed" column.

(4) The MSAO will process accounts for patients in health insurance programs as follows:

(a) The patient or sponsor determines whether the insurance carrier will reimburse the MTF directly. The MSAO will encourage direct payment by insurance carriers.

(b) The MSAO will establish procedures for prompt processing of insurance claim forms and forwarding to the insurance carrier claims offices. No separate charge will be made for this service. (See Chapter 37).

(c) Accounts are not considered delinquent if claims have been submitted to insurance carriers, in accordance with AR 40-330. Defer these accounts for 6 months or until payment is received, whichever occurs first. The MSAO will establish local procedures to follow-up on all insurance claims processed.

(d) The MSAO will immediately bill the patient or sponsor for any unpaid balance:

1. When payment is received from the insurance carrier.

2. When notified by the insurance carrier that a direct payment was made to the patient or to the sponsor.

3. At the expiration of the deferred period of 6 months.

4. When accounts are still unpaid 30 days after the invoice date with no interim payment or payment

arrangement. These accounts are considered delinquent.

(5) The MSAO will process accounts for authorized beneficiaries with health care insurance or authorized beneficiaries treated as the result of an injury or condition caused or aggravated by a third party (as defined in Titles 10 and 42 of the Code of Federal Regulations (CFR)) subject to collection by litigation of a tort or collectible from automobile or other insurance as follows:

(a) For an authorized beneficiary with health care insurance, the MSAO will process the claim using the same procedure as for non-beneficiaries with the exception that the authorized beneficiary cannot be held liable for non-payment. Record the earning and collection against the fiscal year current when the collection is made. For those cases that may require litigation, refer to guidance for the third party collection program.

(b) The annual reimbursement program and orders received may be recorded on an estimated basis. Earnings will be recorded when the collections are processed. Orders and program must be adjusted to equal collections on a monthly basis.

(6) The MSAO cashier will--

(a) Accept payments for hospital charges transferred to the servicing FAO/DAO and prepare a DD Form 1131 (Cash Collection Voucher) to document all collections. The payment accepted may include any administrative fees and interest on the delinquent amount due. The cashier will provide 2 copies of the DD Form 1131 to the payee with instructions to place one copy in the locked box outside the cashiers cage. (This locked box will be opened daily by someone other than the cashier and the contents forwarded to the servicing FAO/DAO.)

(b) Cross reference the DD Form 1131 to a DA Form 1854-R previously used to transfer the uncollectible account to the servicing FAO/DAO.

(7) Upon receipt of delinquent debts transferred from the MTF, the FAO/DAO will--

(a) Establish the account as a delinquent accounts receivable.

(b) Process DD Form 139 (Pay Adjustment Authorization) to collect the account or immediately forward the account to DFAS-IN.

(8) Occasionally, the MTF will transfer to the FAO/DAO uncollectible debts creditable only to an open allotment. Upon receipt of these cases, the FAO/DAO will forward (mail) the debt to DFAS-IN. The FAO/DAO will forward (mail) the debt on a sequentially numbered transmittal letter (DA Form 200) with DA Form 1857 (Statement of Account), collection letters, and billings to DFAS-Indianapolis Center, ATTN:DFAS-IN/FY, 8899 East 56th Street, Indianapolis, IN 46249-1401. Apply late interest charges, penalty fees, and administrative fees to the appropriate miscellaneous receipt account as a receivable. DFAS-IN will notify the FAO/DAO by letter when to write off charges that apply to the

miscellaneous receipt account and when to remove debts pertaining to open allotment accounts from its memo file. (See paragraph 15-36 and 15-37.)

15-8. Collection actions by category of debtor

a. Take the following actions for debts owed to the U.S. Army by Category A debtors (individuals subject to salary or administrative offset):

(1) Require activities that submit indebtedness related documents to the FAO/DAO to obtain and furnish the following:

(a) All documents evidencing the debt.

(b) Name and social security number (SSN) of the debtor.

(c) Name and SSN of the sponsor, if the debtor is a dependent.

(d) Status of the debtor (for example, U.S. Air Force retiree).

(e) Home or unit address.

(f) Documentation evidencing pre-consent for salary or administrative offset, if applicable.

(2) Process documents for which pre-consent for salary offset was obtained and initiate collection.

(3) Do not involuntarily offset salary without due process, despite the ability in some cases to do so. Notice of salary offset on the Leave and Earnings Statement (LES) satisfies the requirement for routine adjustments of pay. Place the initial emphasis on collecting the debt in full. Emphasize "payment of debt in full" on all bills or any correspondence.

(4) Certain benefits (AAFES and Commissary privileges, hospital care, and so forth) are granted to unmarried former spouses of service members. Charges associated with these benefits (that is, daily hospital charges and bad check charges) are the responsibility of the former spouse. Do not recoup these debts from the service member.

(5) If payment or an adequate response is not received by the stipulated payment due date, take the following actions:

(a) For retirees (military and civilian), military personnel of the other services, and civilian employees of other Federal agencies, identify the individual's payroll office (or unit for U.S. Army Reservists). After completing due process, send a request for offset to the appropriate payroll office.

(b) For military personnel, when the payroll office or the U.S. Army Reserve component unit is unknown, prepare a request for locator service. If information is received that the debtor is involved in bankruptcy or insolvency proceedings, cease all collection actions and forward the debt to DFAS-IN.

(c) For employees paid from open FMS case and line number, collect to the open case and line number. For employees from closed FMS case and line numbers, collect from the case and line number prescribed by Security Assistance Accounting Center (SAAC) in Denver, CO.

(6) Refer to paragraphs 15-10 through 15-32 for detailed collection procedures and due process requirements for Category A debtors.

(7) Provide the installation commander a monthly report listing the individuals for whom involuntary salary offset was necessary. This listing will include the amount and nature of indebtedness for each individual.

(8) Send follow-up letters to the payroll office 60 days after sending the request for offset or a DD Form 139 if a transactions by others (TBO) (or check) was not received. Send follow-up letters, if needed, to the installation commander and, finally, to the major Army command (MACOM) having command control over the payroll office.

(9) Do not write off or transfer by transactions for others (TFO) procedures receivables owed by Category A debtors since these debtors are subject to salary or administrative offset.

(10) Request information in writing or by telephone from the locator information on active and retired military personnel.

(a) U.S. Army.

1. For active U.S. Army personnel, submit requests to: Commander, Enlisted Record and Evaluation Center, ATTN: PCRE-RF, 8899 E. 56th Street, Indianapolis, IN 46249-5301.

2. For discharged U.S. Army personnel, submit requests to: National Personnel Records Center (Military Records), 9700 Page Boulevard, St. Louis, MO 63132-5200, DSN 693-7261 or commercial (314) 263-7261.

3. For retired U.S. Army personnel, submit requests to: Defense Finance and Accounting Service-Indianapolis Center, Retired Pay Operations, ATTN: DFAS-IN/FRDB, Indianapolis, IN 46249-1536, DSN 699-2900/2907, commercial (317) 542-2900/2907, or toll free 1-800-428-2290.

(b) U.S. Navy.

1. For active and retired/separated U.S. Navy personnel, submit requests to: U.S. Naval Military Personnel Command, Locator Services, Arlington Annex, Room 1054, Department of the Navy, Washington, DC 20370-5036, DSN 224-3155/5011/9221 or commercial (202) 694-3155/5011/9221.

2. For additional information required for discharged or retired U.S. Navy personnel, submit requests to: National Personnel Records Center (Military Records), 9700 Page Boulevard, St. Louis, MO 63132-5200, DSN 693-4261 or commercial (314) 263-7141.

(c) U.S. Air Force

1. For active and retired/separated U.S. Air Force personnel, submit requests to: U.S. Air Force Military Personnel Center, ATTN: DPMD003, Randolph Air Force Base, TX 78150-6001, DSN 487-5774/5775 or commercial (512) 652-5774/5775.

2. For additional information required for discharged or retired U.S. Air Force personnel, submit requests

to: National Personnel Records Center (Military Records), 9700 Page Boulevard, St. Louis, MO 63132-5200, DSN 693-4243 or commercial (314) 263-7243.

(d) U.S. Marine Corps

1. For active and retired/separated U.S. Marine Corps personnel, submit requests to: Commandant, U.S. Marine Corps, Code MMRB10, Bldg. 2008, Quantico, VA 22134-0001, DSN 278-3942 or commercial (703) 640-3942.

2. For additional information required for retired or discharged U.S. Marine Corps personnel, submit requests to: National Personnel Records Center (Military Records), 9700 Page Boulevard, St. Louis, MO 63132-5200, DSN 693-4261 or commercial (703) 640-3942.

(e) U.S. Coast Guard

1. For enlisted U.S. Coast Guard personnel, submit requests to: Commandant (G-PIM-2), U.S. Coast Guard, 2100 2nd Street S.W., Washington, DC 20593-0001, commercial (202) 267-1340.

2. For officers, submit requests to: Commandant (G-PO-2), U.S. Coast Guard, 2100 2nd Street S.W., Washington, DC 20593-0001, commercial (202) 267-0935.

b. Take the following actions for debts owed U.S. Army by Category B debtors (U.S. Government contractors). These requirements also apply to offsets for debts resulting from reimbursable support provided the contractor and determinations of pecuniary liability for U.S. Government property lost or damaged (GPLD).

(1) Require activities who submit indebtedness related documents to the FAO/DAO to obtain and furnish, as a minimum, the following data:

(a) Name and address of the contractor,

(b) Separate billing address (if applicable),

(c) Employer identification number, if a U.S.

contractor and the SSN of the contracting officer,

(d) Major U.S. Army contract number, if a U.S. Army contractor. If not a U.S. Army contractor, the contract number of the major contract with another agency, and

(e) Contracting officer's name and organization.

(2) For contractors where the same FAO/DAO bills and pays, flag the contract payment file so that additional payments are not made on the contract until all debts have been liquidated.

(3) When the FAO/DAO maintaining the receivable (for example, Missile Command (Micom)) is not the paying FAO/DAO (for example, Defense Contract Administration Services Region (DCASR)), the FAO/DAO with the receivable will send a request through the contracting officer to the paying FAO/DAO to flag the contract payment file. This will ensure that additional payments are not made on the contract until telephonic approval is obtained from the billing office.

(4) Recoup from the next payment due the contractor amounts owed for erroneous overpayments

for the same contract. Follow this procedure when payment is not received within 30 days of the date the contractor is notified of the overpayment.

(5) Recoupment for erroneous payments from payments due the contractor or other U.S. Government contracts are considered to be an administrative offset and require the following actions:

(a) Send a debt notification letter (by certified mail, return receipt requested) to the contractor explaining the nature of the debt; amount owed; assessment of interest; penalties; administrative charges, if any; the U.S. Army's intent to collect the debt by offset; and the contractor's opportunity to inspect records, discuss the basis for indebtedness, and enter into a repayment agreement. Coordinate the letter with the applicable contracting officer(s).

(b) Do not administratively offset without prior approval from the DFAS-IN. Send requests for approval along with supporting documentation to: DFAS-Indianapolis Center, ATTN: SFFM- FC-OD, 8899 East 56th Street, Indianapolis, IN 46249-3060.

(6) If the indebtedness is identified after all payments due the contractor have been paid or there is not a sufficient unpaid balance to satisfy the indebtedness, request the contracting officer's assistance in obtaining payment. Follow-up at least monthly with the contracting officer until payment is received; the contracting officer advises that he or she is unable to obtain payment; or the contractor is involved in a bankruptcy or insolvency case.

(7) If the above actions do not result in collection of the debt, take the following actions:

(a) If the principal value is \$600 or less, write off the debt.

(b) If the principal value is greater than \$600, forward all delinquent debts to: DFAS-CO, Attn: DFAS-CO-FD, P.O. Box 182317, Columbus, Ohio 43218-2317. The responsibility for collection assistance is DFAS-CO. Collection assistance is limited to debt collection services and does not include the authority to write off debts. The receivables will still be maintained by the original office. DFAS-CO will provide applicable activities written notification of required actions resulting from their collection assistance process.

c. Take the following actions for debts owed the U.S. Army by Category C debtors (U.S. Army activities or other U.S. Government agencies):

(1) For U.S. Army and other DoD activities, use self-reimbursement (**no check drawn**) procedures unless precluded by a reimbursable agreement. U.S. Army activities may not deviate from self-reimbursement procedures (except for U.S. Army Corps of Engineers administered Civil Works funds).

(a) If the debt remains outstanding after 60 days, send a follow-up letter to the billed activity. Re-request the date the bill was certified, the voucher number assigned to it, the FAO/DAO who processed it, and the TFO transmittal number for the corresponding

collection. Provide an information copy to both the billing and billed activities' MACOM.

(b) If no response (or collection) is received within 30 days of the date of the letter, send another letter to the activities' MACOM. This letter is signed at a level not lower than the installation comptroller or Directorate of Resource Management (DRM). If warranted, include a statement that reimbursable support to that activity will be discontinued if proof of payment is not received within 30 days. Provide an information copy to your MACOM.

(c) If response (or collection) is still not received, request your MACOM's assistance. As a last resort, request assistance by referring billing problems between MACOMs in writing to DFAS-Indianapolis Center, ATTN: Department 80, 8899 East 56th Street, Indianapolis, IN 46249-0001. Do not write off the receivables unless specifically authorized to do so by DFAS-IN, Department 80.

(2) For other DoD activities, consider bills current for 90 days from the billing date if the collections are received as TBOs through cross disbursing procedures.

(a) After 90 days, send a follow-up letter to the billed activity requesting the date the bill was certified, the date and voucher number assigned to it, and the disbursing office that processed it. Provide an information copy to your MACOM and the higher echelon office of the billed activity shown on the reimbursable agreement.

(b) If a response is not received within 30 days of the date of the letter, send another letter to the activity's upper echelon office. This letter is signed at a level not lower than the installation comptroller or DRM. If warranted, the letter should include a statement that reimbursable support to that activity will discontinue if proof of payment is not received within 30 days. Provide an information copy to your MACOM.

(c) If response or collection is still not received after an additional 30 days, prepare and process an SF 1081 transferring the qualifying debt to DFAS-IN. Discontinue any ongoing or future work for the activity.

(3) For non-DoD activities, consider bills current for 60 days from the billing date since the majority of these activities are dependent on regional disbursing offices for disbursing support.

(a) After 60 days, send a follow-up letter to the billed activity requesting the date the bill was paid. Provide an information copy to your MACOM and the higher echelon office of the billed activity shown on the reimbursable agreement.

(b) If no response is received within 30 days from date of the letter, send another letter to the activity's upper echelon office. This letter is signed at a level not lower than the installation comptroller or DRM. If warranted, include a statement that reimbursable support to that activity will discontinue if payment is

not received within 30 days. Provide an information copy to your MACOM.

(c) If response or collection is still not received after an additional 30 days, prepare and process an SF 1081 according to paragraph 15-36. Discontinue any ongoing or future work for the activity.

d. Take the following actions for debts owed U.S. Army by Category D debtors (individuals not subject to salary or administrative offset):

(1) Require activities who submit indebtedness related documents to obtain and furnish the following data:

- (a) Name and SSN of the debtor.
- (b) Financial status of the debtor.
- (c) Home address and telephone number.

(2) For debts recorded while the individual was subject to salary offset (Category A) and collection efforts were unsuccessful under that category, do the following:

(a) For debt principal of \$100 or less, write off the debt.

(b) For debt principal greater than \$100, prepare and process an SF 1081 following the procedures in paragraph 15-36.

(3) For other debts under this category, including debts discovered after separation of former Category A debtors, send bills or debt notification letters (by certified mail, return receipt requested) to the individuals and request payment within 30 days. If mail is returned "address unknown," only one collection attempt is necessary. If installation collection efforts are unsuccessful, transfer the debt following procedures in paragraph 15-36.

(a) For former civilian employees, the installation will simultaneously submit an SF 2805 (Request for Recovery of Debt Due the United States), reference AR 37-105 (Finance and Accounting for Installations Civilian Pay Processing), to Office of Personnel Management requesting offset from amounts payable from the Civil Service retirement or disability fund. Address the reply to DFAS- Indianapolis Center, ATTN: Department 80, 8899 East 56th Street, Indianapolis, IN 46249-0001, as the check recipient.

(b) DFAS-IN will notify installations when collections are made for salary overpayments so that the pay record (TD Form IRS W-2) can be updated.

(4) If neither payment nor response is received by the suspense date, do the following:

(a) For debt principal of \$100 or less, write off the debt.

(b) For debt principal greater than \$100, prepare and process an SF 1081 following the procedures in paragraph 15-36.

(5) If response is received indicating bankruptcy or insolvency, prepare and process an SF 1081 following the procedures in paragraph 15-36. Include a copy or statement describing evidence of bankruptcy or insolvency.

(6) Authorization is granted to the FAO/DAOs to collect and pay International Military Education and Training (IMET) student debts owed to the U.S. Government by reducing the IMET living allowance payable to students.

e. Take the following actions for debts owed the U.S. Army by Category E debtors (all other organizational public debtors):

(1) Require activities that provide these customers reimbursable support to obtain and furnish complete billing information to include:

- (a) Name,
- (b) Address,
- (c) Telephone number of the senior official to contact if bills are not paid on time

(d) In the case of NAF (includes AAFES) activities, the address should be the NAF Central Accounting Office address including the telephone number.

(2) Send bills or debt notification letter, within 30 days (certified mail, return receipt requested) to these organizations.

(3) If a payment or a response is not received by the suspense date, send a follow-up letter requesting immediate payment or response. Tailor the tone of the letter to the customer and his or her relationship to the installation.

(4) If neither payment nor an adequate response is received within 15 days for on-post customers or 30 days for off-post customers, the FAO/DAO will determine which of the following actions is appropriate:

(a) Personal telephone call to the senior official of the billed activity.

(b) Second follow-up letter to the billed activity or the designated senior official.

(c) Notification to the commander of the activity that provided the support or to the commander of the activity (if a Nonappropriated Fund Instrumentality (NAFI) or private organization) that received the support, if not the same.

(5) After an additional 15 days, report any unpaid bill for an on-post customer to the commander of the activity that provided the support. Take the same action for off-post customers after 30 days.

(6) Do not use SF 1081 transfer procedures for debts owed by U.S. Army NAF activities or U.S. Army affiliated private organizations. The FAO/DAO maintains these debts until collected, with assistance as needed from local and MACOM officials. As a last resort, refer collection problems to the DFAS- Indianapolis Center, ATTN: Department 80, 8899 East 56th Street, Indianapolis, IN 46249-0001, for assistance.

(7) In the case of Transportation Discrepancy Reports, DFAS-IN, Transportation Operations has the responsibility to adjudicate the cases. Refer these cases to the DFAS-Indianapolis Center, Transportation Operations, ATTN: DFAS-IN/FT, 8899 East 56th Street, Indianapolis, IN 46249-0601. The FAO/DAO will record and maintain these receivables

on the activity's records until disposition notification is received from DFAS-IN.

(8) Transfer other debts in this category, using SF 1081 TFO procedures (see paragraph 15-36), when the following conditions exist:

(a) At least one attempt has been made to collect debts resulting from reimbursable support or there is evidence of bankruptcy/insolvency.

(b) The DRM or Comptroller of the activity to which the FAO/DAO is assigned determines if additional local or MACOM efforts to collect the bill will not be effective and signs a memorandum to that affect. The memorandum is required to state that reimbursable support to the indebted organization has been discontinued.

15-9. Debt agreement modification

a. Account for modifications to debt agreements.

b. Accept assets in full satisfaction of debt when cash and/or assets are accepted as full satisfaction of a debt even though the total fair value received is less than the recorded value. Recognize the excess recorded value, above the value received, as a loss in the current operating period.

c. When the appraised (or fair-market) value of the assets received (including assets acquired through foreclosure) exceeds the total of unpaid loan and interest owed by the borrower, credit the excess asset value to a U.S. Treasury Miscellaneous Receipt account.

d. Account for changes to debt terms as they occur. Compare the total future cash receipts (both principal and interest) according to the modified agreement to the current recorded amount of the receivable. Do not adjust the recorded amount if total principal and interest payments under the agreement exceed the recorded amount. Recognize interest income to the extent that the total future cash receipts exceed the recorded amount. Under this method, apply a constant effective interest rate to the recorded receivable each accounting period between modification date and the maturity date. The new effective interest rate is the discount rate that equates the present value of the future cash receipts specified by the new terms (excluding amounts contingently receivable) with the recorded investment of the receivable.

e. If total future cash receipts (principal and interest) will be less than the debt receivable originally recorded, reduce the receivable amount accordingly. Recognize as a loss in the period the agreement is signed. If such a reduction is made, use all future cash receipts (principal or interest) to reduce the receivable amount. Do not report the interest income in future periods.

f. Total estimated future cash receipts include estimated minimum future cash receipts. If changes in estimates of amounts to be received in later periods cause total probable future cash receipts to be less than the then recorded receivable amount,

reduce the recorded amount accordingly and recognize the reduction as a loss.

g. In a transaction involving the receipt of assets and modification of terms, use the fair market value of assets received to first reduce the recorded value of the debt. Compare the remaining balance of the debt to total probable future cash receipts and account for as prescribed above.

h. Charge losses determined under the above sections to allowances for uncollectible accounts established before the debt modification agreement. After reduction for debt modification agreement, assure the allowances adequately provide for any further receivable losses that are probable and estimable. If not, correct the allowance by recording an expense in the amount needed to make the allowance adequate in the period the correction was made.

i. Account for cash receipts in excess of the estimated amount collectible (based on total probable future cash receipts) as interest income in the period received and deposited.

j. Account for modification of debt agreements by substitution of another party's debt or by addition of debtors per the appropriate preceding paragraphs.

k. Record interest receivable even if interest payments are delinquent. Do not add to the principal debt amounts due unless the debt agreement is legally modified to reflect the change in principal amounts due. If delinquent interest is added to principal amounts due in a debt modification, evaluate the resulting amounts for collectability.

15-10. Category A debt collection procedures and due process requirements

Paragraphs 15-10 through 15-32 contain procedures for collecting debts from Category A debtors. It includes procedures for collecting debts by salary and administrative offset under the Debt Collection Act of 1982.

a. Failure of U.S. Army activities to comply with any of these provisions is not considered a defense for a debtor.

b. U.S. Army activities will cooperate with other DoD components and Federal agencies in collecting debts from U.S. Army employees. Coordinate salary and administrative offset requests from non-DoD Federal agencies with the Defense Manpower Data Center (DMDC), 550 Camino El Estero, Suite 200, Monterey, CA 93940-3231; DSN 655-0400 or commercial (408) 646-2951, unless the requests relate to a judgment against the debtor issued by a Federal Court in favor of the United States. These debts come directly to the paying agencies. They are not processed by DMDC.

c. When requested by debtors, U.S. Army activities may hold personal interviews with debtors. The debtor will pay for all expenses to attend interviews. Document matters discussed that could affect debt collectability in individual debtor files.

d. Debts due to NAFIs cannot be collected under 5 USC 5514 since they are not considered debts to the United States. However, 37 USC 1007(c) specifically authorizes collection of NAFI debts from the pay of soldiers. Collect NAFI debts according to AR 215-5 (Nonappropriated Fund Accounting Policy and Reporting Procedures). Consult the local staff judge advocate or legal office when necessary or when litigation appears necessary to collect the NAFI debt.

e. Do not collect debts by salary or administrative offset more than 10 years after the U.S. Army's right to collect the debt first accrued. Offset collection in such cases is authorized only if facts material to the U.S. Army's right to collect the debt were not known and could not reasonably have been known by the responsible U.S. Army official. If a Report of Survey debt accrued before passage of the Debt Collection Act of 25 October 1982, it may be collected at any time from final salary or lump sum leave. Consult a judge advocate or attorney adviser if in doubt about when a debt accrues.

f. Administrative offset is not authorized for debts owed by any Federal agency, State, or local government.

g. Salary or administrative offset of amounts payable to debtors must be made before initiation of, or at anytime during, due process procedures if--

(1) Failure to take the offset would reduce the U.S. Army's ability to collect the debt.

(2) The time before payment is to be made does not reasonably permit completion of the procedures.

(3) Such prior offset is promptly followed by completion of due process procedures.

h. When conflicts arise or war has been declared by the U.S. Congress, service member's debts cannot be suspended. Temporary suspensions can only be granted for:

(1) Inability to locate debtor.

(2) Financial condition of debtor.

(3) A request for waiver that has been submitted and that probably will be favorably considered.

All debts owed by service members, regardless of an armed conflict or a declared war, will be pursued according to this chapter. Only on a case by case basis will requests for suspension of debt submitted by service members be considered.

15-11. Debt collection requirements

a. Encourage debtors to repay their debts and any late interest, penalty, and administrative charges voluntarily. Repayment should be lump sum unless the FAO/DAO determines that this would create a financial hardship and that the entire debt can be collected through installment payments. Repayments are made by either cash, certified checks, or payroll deductions.

b. Take timely and aggressive collection action with effective follow-up to collect all claims for money or property. When necessary to protect the U.S. Army's interest, such as to prevent the 6-year Statute of

Limitations under 28 USC 2415 from expiring, precede written demands for payment with any other appropriate collection actions specified by this regulation. (The debtor may be notified by phone or through a personal interview). Fully document any contact in the installation files. Actions may include referral to the Department of Justice for litigation.

Reply to a debtor's correspondence within 30 days of receipt. Advise debtors who dispute debts to furnish evidence to support their contentions. If it is necessary to extend the 30-day demand letter interval, act promptly so that, if debts must be referred to the Department of Justice for litigation, they can be referred within 1 year of the original debt.

c. Make demands for debt payment in writing. See paragraph 15-27 for legal response times. Unless the provisions of paragraph 15-18 are applicable, the creditor organization must be able to prove that the debtor received notice of intent to offset before involuntary offset was made. If involuntary salary offset is contemplated, at least one demand letter containing the required notification must be hand delivered with a dated receipt or via certified mail with return receipt requested.

d. Debtors must respond to the initial demand letter with full payment or enter into a written repayment agreement within the time limits specified in the demand letter. If the debtor refuses to pay or indications exist from the debtor or installation that further demands for payment would be futile, use the following guidelines to pursue the debtor. This may require writing off the debt, or transferring the debt to DFAS-IN for additional collection actions. (When a loss of funds has occurred due to an improper payment, see DoD 7000.14-R, Volume 5 and Chapter 40, for collection procedures.):

	Dollar range	Dollar Range	Dollar Range
Technique	\$1-\$100	\$100-\$1,000	over \$1,000
1st Debt Notice	Yes	Yes	Yes
2nd Debt Notice	Optional	No	Yes
3rd Debt Notice	Optional	No	Optional
Salary Offset	Yes, if appropriate	Yes, if appropriate	Yes, if appropriate
Transfer Debt to DFAS-IN	No	Yes	Yes

(Note: Installations will allow at least 60 days from date of delinquency notification before transferring qualifying debts to DFAS-IN under TFO procedures. This will allow the debtor to respond to the initial demand letter and make arrangements for payments. Once the 60 days has elapsed, the installation may transfer the debt, if payment has not been received, to DFAS-IN according to paragraph 15-36. If this occurs, contact DFAS-Indianapolis Center, ATTN: Department 80, 8899 East 56th Street, Indianapolis, IN 46249-0001, for disposition instructions. Debts (accounts receivable) recorded on the installations books prior to December 31, 1989 are exempt from this requirement.)

15-12. Collection priority for multiple debts

a. When collecting multiple debts, apply recovered amounts in accordance with the best interests of the U.S. Army. Consider the applicable statutes of limitations and the priority of collections to ensure

that the maximum amounts are collected. As a general rule, use the following priority sequence:

- (1) Debts upon which the statute of limitations will expire if collection is not initiated.
 - (2) Debts owed the U.S. Army.
 - (3) Debts owed other DoD components.
 - (4) Debts owed non-DoD Federal agencies.
- b. If an employee's salary is subject to a Federal tax levy, the levy will take precedence.

15-13. Installment collections

a. When possible, collect debts owed the U.S. Army in a lump sum (see paragraph 15-11a). Collect in full when the debt is being collected by salary or administrative offset or any other method, including involuntary payment. When collections are made by involuntary offset, the amount of the offset may not exceed the percentage indicated for the authority under which the offset is made. (See Table 15-1 for civilians and DoD 7000.14-R, (DoD Financial Management Regulation) Volumes 7A and 7B for the military service members.)

b. The finance accounting officer/defense accounting officer may decide to accept installment rather than lump-sum payments. Base decisions to accept installment payments on a debtor's financial statement. This statement is submitted under the penalty of perjury. Use DA Form 5814-R (Financial Affidavit) for submitting financial affidavits. DA Form 5814-R is located at the back of this regulation. Reproduce it on 8 1/2 x 11-inch paper. Keep financial affidavits as part of the debtor's permanent debt records.

c. If installment payments are accepted, obtain from the debtor a signed, legally enforceable payment agreement specifying all terms. The agreement will include a provision accelerating the debt so that the remaining balance becomes due and payable immediately, should the debtor default on the agreement. The installment agreement, DA Form 5815-R (Installment Agreements), is prepared by the FAO/DAO and signed by the finance accounting officer/defense accounting officer and debtor. DA Form 5815-R is located at the back of this regulation. Reproduce it on 8 1/2 x 11-inch paper. Keep installment agreements as part of the debtor's permanent records.

d. Ensure installment payments are consistent with the size of the debt and the debtor's ability to pay. Unless debtors can establish that financial hardship or other reasonable cause exists, establish payments of at least \$50 per month, or enough to repay the debt within 36 months. However, minimum payment and payback are not applicable if the proposed collection exceeds the legal percentage limitation. (See Table 15-1 for civilians and the DoD 7000.14-R, Volumes 7A and 7B, for service members.)

e. The finance accounting officer/defense accounting officer may choose to accept security for

debts paid by installment if doing so can help the collection process.

15-14. Debt reconsideration

a. The finance accounting officer/defense accounting officer will reconsider debt validity, amount, and appropriateness of offset schedules when requested by the debtor. Reconsider debts when the debtor has petitioned for a hearing under the provisions of this regulation. (NOTE: Provide a hearing on or before the 15th day following the receipt of the notice.) Complete the reconsideration process before holding the hearing. Complete the hearings unless the debtor waives the right to a hearing and accepts the results of reconsideration. The FAO/DAO will "time" and "date" stamp all petitions for hearing. Debtor rights are waived when the debtor fails to submit a petition in a timely manner. Figures 15-1 and 15-2 are sample reconsideration letters.

b. Provide debtors with copies of U.S. Army records relating to their debts when requested.

c. Debtors who request reconsideration of involuntary salary offset schedules must explain why the proposed offset schedules will cause extreme financial hardship. They must submit a proposed alternative offset schedule and a DA Form 5814-R.

d. Advise debtors who request reconsideration to submit documents and statements to support their positions.

e. The finance accounting officer/defense accounting officer reconsidering debts will provide the debtor with a written decision as follows:

(1) If, after considering a debtor's statement and documentation, a debt is determined to be valid and the amount is partially or fully reaffirmed:

(a) A statement of the reasons for reaffirming the debt, including, if applicable, reasons for adjusting the amount is required.

(b) A notice of collection actions to be taken if payment is not received by the due date and the debtor is not entitled to, or has not petitioned for, a hearing.

(2) After considering a debtor's statements and documentation contesting an offset schedule, provide the debtor with one of the following:

(a) A statement that the alternate offset schedule proposed by the debtor has been accepted.

(b) A statement that the established offset schedule does not impose extreme financial hardship.

(c) A notice that the offset will begin at the next established pay period if full payment is not received first and the debtor is not entitled to, or did not petition for, a hearing.

(3) If the debt is not valid, notify the debtor accordingly.

15-15. Requests for waiver of indebtedness

Do not submit requests for waivers and hearings simultaneously. If applicable, requests for waivers

are submitted and processed first. Suspend collection action when an application for a waiver is pending unless the debtor resigns or retires. When a debtor is entitled to a hearing and requests a waiver, forward the waiver application with a cover letter indicating that collection will not be suspended pending the waiver decision.

15-16. Collection by administrative offset under 31 USC 3716

a. Use administrative offset procedures in accordance with 31 USC 3716 for collection by administrative offset from any amounts payable to or held by the U.S. Government for an individual. Use administrative offset procedures according to 31 USC 3716 to the extent that specific procedures are not included in the statute or its implementing regulation. 31 USC 3716 provides general authority for administrative offset. 5 USC 5514 provides general authority for salary offset for civilians, and 37 USC 1007(c) provides general authority for salary offset for service members of DoD, its instrumentalities, and other uniformed services. When no specific statute authorizes offset, use the provisions of 5 USC 5514 and 31 USC 3716 to collect debts owed by civilian employees and to refer debts to agencies outside DoD for collection. 31 USC 3716 is the primary authority to collect debts from out-of-service debtors.

b. When collection is made by administrative offset under 31 USC 3716, provide the debtor the following due process:

(1) At least 30 days written notice of the nature and amount of the debt and the intent to collect it by administrative offset.

(2) The opportunity to inspect and copy U.S. Government records related to the debt or to request copies of records related to the debt.

(3) The opportunity to request reconsideration of the decision relating to the debt.

(4) The opportunity to enter into a written agreement to repay the debt.

(5) If applicable, the opportunity to request a waiver of the debt.

c. The demand letter gives the debtor the notification described in paragraph 15-17, c. (Figure 15-3 is a sample demand letter.)

d. The entire amount of the debt may be offset. In cases where a lump sum collection would result in financial hardship, payments may be accepted in installments according to paragraph 15-13.

e. A debtor is not entitled to a hearing in most cases of administrative offset. However, the creditor will give the debtor a reasonable opportunity for an oral hearing when--

(1) The finance accounting officer/defense accounting officer is considering a waiver of the indebtedness involved, the debtor requests waiver of the indebtedness, and the waiver determination is based on an issue of credibility or truthfulness; or,

(2) The debtor requests reconsideration of the debt and the U.S. Army determines that the question of the indebtedness cannot be resolved by review of the documentary evidence. Consult DFAS-Indianapolis Center, ATTN: Department 80, 8899 East 56th Street, Indianapolis, IN 46249-0001, when determining whether to give the debtor an opportunity for a hearing.

15-17. Collection of administratively determined debts according to 37 USC 1007(c)

a. 37 USC 1007(c) authorizes the collection by monthly installments of administratively determined debts owed by service members to DoD or NAFIs. The authority to make administrative debt determinations is delegated to the heads of organizations to whom the debts are owed and to the following:

(1) For active duty and reserve members, the FAO/DAO holding the member's pay record, or DFAS-IN, Directorate for Military Pay.

(2) For National Guard members, the U.S. Property and Fiscal Officer (USPFO).

(3) For U.S. Army retirees, DFAS-IN, Directorate for Debt and Claims Management. For routine adjustment collections, follow the procedures in paragraph 15-17b. Collect other administratively determined debts following the procedures in paragraph 15-17c.

b. A routine adjustment corrects an overpayment caused by clerical or administrative errors or delays in processing pay documents. Correct routine adjustments in future pay periods over a short time. Give the service member notice of the adjustment as soon as possible. Notice on the LES is sufficient. Tell the service member whom to contact for additional information.

c. Use the following procedures for collecting other administratively determined debts:

(1) Mail or hand deliver a demand letter as called for in paragraph 15-11 b, giving the debtor 30 days notice of the following:

(a) The nature, amount, and due date of the debt. (The due date is normally 30 days from the date of the notice.)

(b) The U.S. Army's intention to collect the debt by administrative offset through deductions from pay or other amounts due from the U.S. Government.

(c) The opportunity to inspect and copy U.S. Government records or to request copies of records relating to the debt.

(d) The opportunity to request reconsideration of the debt. The request will include notice that the debtor must provide evidence to support the facts and the amount of the debt.

(e) The opportunity to enter into an agreement with the U.S. Army and establish a repayment schedule.

(f) Notification that any part of the debt uncollected at the time of separation will be collected from subsequent payments. (For example, final pay or

allowances, final salary payment, lump sum leave, or bonuses).

(g) U.S. Army policies concerning interest, penalties, and administrative fees.

(h) The right to request waiver or cancellation of the debt, when appropriate.

(2) The maximum offset permitted is two-thirds of a service member's pay as specified in the DoD 7000.14R, Volume 7 and DoD 1340.12 (Guidance for Military Retired Pay, Deductions, and Survivors Entitlement). If offset of this amount causes financial hardship, smaller installment payments may be accepted. A greater amount may be offset with the consent of the debtor.

(3) The creditor organization is responsible for providing the service member with due process, including requested reconsideration and approval of any repayment agreements proposed by the debtor. If the debtor fails to repay the debt in lump sum or to enter voluntarily into a repayment agreement before the debt becomes delinquent, collect by involuntary offset. Collect by offset when funds become payable to the debtor. Do this after completion of due process or after receipt of offset requests with the debt claims forms and certifications from creditor organization. Provide records to debtors upon request.

15-18. Offset the current salary of civilian employees in accordance with 5 USC 5514

5 USC 5514 states that when the Secretary of the Army or the head of a Federal agency determines that an employee is indebted to the United States, the amount of the indebtedness may be collected by offset from the current salary of the employee. Use this statute only if no other statute specifically authorizes salary or administrative offset. Except when adjusting pay arising from an election or change in coverage under a DoD benefits program (see paragraph 15-18e), use the following procedures when making collection under this authority:

a. Provide the debtor with the following due process:

(1) At least 30 days written notice stating the nature and amount of the debt and the intent to collect it by salary offset.

(2) The opportunity to inspect and copy U.S. Government records related to the debt.

(3) The opportunity to enter into a written agreement to repay the debt.

(4) The opportunity for a hearing concerning the existence or amount owed or the terms of the proposed offset schedule.

(5) If applicable, the opportunity to request a waiver of the debt.

b. Mail or hand deliver a demand letter as provided in paragraph 15-11c. Figure 15-4 is a sample demand letter. Include the following:

(1) The nature and amount of the debt and date payment is due (normally not more than 30 calendar days from the date of the notice).

(2) The U.S. Army's intention to collect the debt by salary offset.

(3) The amount, frequency, and duration of the intended deductions if not paid in full by the due date.

(4) The right to request reconsideration of the decision relating to the debt. Notification that any evidence in support of disputed facts or amounts should be included with such a request.

(5) The right to inspect and copy U.S. Army records relating to the debt.

(6) The opportunity to enter a written repayment agreement.

(7) U.S. Army policies concerning interest, penalties, and administrative costs.

(8) When debts are referred/transferred to DFAS-IN, DFAS-IN will refer delinquent debts to the Department of Justice, commercial credit bureaus, and collection agencies.

(9) That any amount paid or deducted for a debt that is later found not to be owed will be promptly refunded unless there are statutes or regulations to the contrary.

(10) The right to request a hearing concerning the existence and amount of the debt or the proposed offset schedule, when the schedule is established by other than written agreement with the debtor.

(11) The method and time period for requesting a hearing.

(12) That a timely filing of a petition for a hearing will postpone the collection proceedings, including accrual of interest, penalty, and administrative costs, until the hearing official's decision is issued.

(13) That a final decision on the hearing, if one is requested, will be issued at the earliest practical date, not later than 60 days after the filing of the petition requesting the hearing, unless the debtor requests, and the hearing official grants, a delay in the proceedings.

(14) The alternative of requesting a waiver or cancellation of the debt, when appropriate. Do not submit requests for a waiver and a hearing simultaneously. If applicable, requests for waivers are submitted first. If the request for a waiver is denied, a hearing may be requested. See figure 15-5 for a sample demand letter for salary offset when waiver has been denied.

(15) The address for correspondence concerning the debt.

(16) Notice that any knowingly false, frivolous statements, representations, or evidence may subject the debtor to:

(a) Disciplinary procedures appropriate per Chapter 75 of 5 USC or any other applicable statute or regulation.

(b) Penalties per 31 USC 3717, or any other applicable statutory authority.

(c) Criminal penalties under 18 USC 286, 287, 1001, and 1002 or any other applicable statutory authority.

(17) If, upon retirement or termination of employment the collection of the debt is not completed, offset will be made, without additional notification, from subsequent payments. (For example, final salary payment, lump sum leave, and bonuses under the authority of 31 USC 3716.)

c. Voluntary payments based on a written repayment agreement may be made in any amount. Involuntary offset may not exceed 15 percent of disposable pay for debts subject to salary offset hearings. See Table 15-1 for the debt collection information for current civilian employees.

d. The creditor is responsible for affording the debtor due process before beginning salary offset. If the debtor takes no action after receiving notification of the offset begin offset at the next regularly scheduled pay period after the debt becomes delinquent. In other cases, do not begin offset until due process has been completed. Reconsider debts upon request of debtors. In cases where the debtor has been afforded a hearing, offset according to the hearing official's decision. Begin offset in the next pay period after the FAO/DAO receives the hearing official's decision. If the hearing official does not uphold the agency, do not offset against current salary. However, the U.S. Army may still collect the debt from final salary, lump sum leave, and/or retirement.

e. For overpayments of pay (for four pay periods or less) that are caused by an employee beginning or changing coverage in a fringe benefit program, provide notice concurrent with or before collection. Explain that uncollected amounts will be recouped from future pay. Advise the employee that he or she may dispute the amount by contacting the FAO/DAO. Notice may be provided on the employee's LES. If processing delays exceed four pay periods, use the procedures in paragraph 15-18a-c, above.

f. Involuntary payment of all or part of a debt being collected under 5 USC 5514 is not a waiver of the debtor's rights under this statute or any other provision of law unless there are statutory or regulatory provisions to the contrary.

15-19. Collection procedures for unearned travel advances per 5 USC 5705

Refer to Chapter 39 for collection procedures.

15-20. Collection for damages to housing and related equipment and furnishings

10 USC 2775 provides that a service member may be held liable for damage or loss of equipment or furnishings to any housing unit if the damage or loss was caused by the negligence of the service member, dependent, or a guest. This statute provides authority for administrative offset of the amount of damage or loss from a service member's pay. Collection procedures for this type of debt may be made per 37 USC 1007 (c) following the procedures in paragraph 15-17.

15-21. Collection of pecuniary charges on reports of survey from U.S. Army and U.S. Air Force members

When making involuntary collections per 37 USC 1007(c) for pecuniary charges on reports of survey, follow the procedures in paragraph 15-17. Use DoD 7000.14-R, Volume 7 to determine the maximum amount of offset permitted. Make involuntary collection from members of the U.S. Navy, U.S. Marine Corps, U.S. Coast Guard, and civilian employees according to 5 USC 5514, following the procedures in paragraph 15-18.

15-22. Processing fraudulent debts

A fraudulent debt includes any debt owed to the United States resulting from a payment improperly made to the debtor, based on the debtor's fraudulent activity. Fraudulent debt includes the presentation of a false claim or misrepresentation on the part of the debtor or any other person having an interest in the claim.

a. A reasonable suspicion of fraud will support the denial of a claim or recoupment action. The question of whether fraud exists depends on the facts of each case. Fraud must be proven by evidence that overcomes the existing presumption in favor of honesty and fair dealing. Circumstantial evidence is sufficient for this purpose, if it affords a clear inference of fraud and amounts to more than a suspicion or conjecture. Draw the inference of honesty in any case where the circumstances are as consistent with honesty and fair dealing as with dishonesty. In questionable cases, request that the local staff judge advocate make a determination of whether the evidence supports fraud.

b. Recoupment is required for an erroneous payment. When an item of pay and allowances is wrongfully obtained through fraud, misrepresentation, or otherwise, this is considered an erroneous payment.

c. Collection procedures are as follows:

(1) Civilian employees. Forward fraudulent claims greater than \$600 to DFAS-Indianapolis Center, ATTN: Department 80, 8899 East 56th Street, Indianapolis, IN 46249-0001, for referral to the Department of Justice. Take no further collection action until instructions are received from DFAS-IN. DFAS-IN will advise the FAO/DAO of the due process procedures to follow when making the collection, including providing oral hearings, when required by 5 USC 5514. (See Chapter 13 for fraudulent disbursement procedures). Process fraudulent claims for \$600 or less using debt collections procedures prescribed in this chapter.

(2) Service members. Collect debts owed by service members to the U.S. Army per 37 USC 1007(c). Follow the due process procedures outlined in this chapter. When debtors request reconsideration of fraud determinations, the creditor organization will ensure that any evidence or statements submitted by

debtors are considered when these debts are reviewed. Refer questionable cases to the local staff judge advocate for a determination.

15-23. Computation of disposable pay

Compute disposable pay by adding basic, special, incentive, retired, and retainer pay. In the case of an employee not entitled to basic pay, any other authorized pay less any amount required by law to be deducted from pay including, but not limited to the following:

- a. Amounts withheld from benefits payable per Title II of the Social Security Act, where withholding is required by law.
- b. Federal employment taxes.
- c. Mandatory withholding for the U.S. Soldiers' and Airmen's home.
- d. Fines and forfeitures ordered by a court-martial or by a commanding officer.
- e. Amounts withheld for Federal, state, and local income taxes, if the withholding is authorized or required by law and if the amounts withheld are not greater than would be the case if the debtor claimed all dependents to which entitled, as defined in the Federal, State, and local tax codes. For computing disposable pay, do not deduct additional Federal tax amounts unless the debtor presents evidence of a tax obligation supporting the additional deductions.
- f. Amounts withheld as health insurance premiums, including but not limited to amounts deducted from civil service annuities for MEDICARE, where such deductions are requested by the Health Care Financing Administration.
- g. Amounts deducted as normal retirement contributions, including Survivor Benefit Plan (SBP) and Retired Serviceman's Family Protection Plan (RSFPP) deductions. Normal retirement contributions do not include amounts voluntarily contributed toward additional civil service annuity benefits and/or the thrift savings plan. An employee makes voluntary contributions to civil service annuity directly to OPM. Under no circumstances may an agency make a deduction for these contributions and send them to OPM. (See Federal Personnel Manual (FPM) Supplement 831-1, S-5-3c). However, voluntary contributions to the thrift savings plan are deducted from the employee's salary and must not be deducted when determining net disposable pay for salary offset limitations.
- h. Amounts deducted from salary as normal life insurance premiums, including "Servicemen's Group Life Insurance and Basic Life", Federal Employees Group Life Insurance. Life insurance premiums paid by allotment, such as National Service Life Insurance, are not considered normal life insurance premiums.

15-24. Extreme financial hardship

A proposed offset produces extreme financial hardship when it prevents debtors from meeting

costs for essential subsistence for themselves, their spouses, and their dependents. Essential subsistence expenses include only costs of food, housing, necessary public utilities, clothing, transportation, and medical care. In determining whether an offset will impose an extreme financial hardship, creditor organizations will consider the following information:

- a. Income from all sources for debtors, their spouses, and dependents.
- b. The extent to which assets of debtors, their spouses, and dependents are available to meet the offset and essential subsistence expenses.
- c. Whether subsistence expenses have been minimized as much as possible.
- d. The extent to which debtors and/or their spouses can borrow money to meet the offset and other essential expenses.
- e. The extent to which debtors and their spouses and dependents have other exceptional expenses that should be taken into account and whether these expenses have been minimized.

15-25. Requests for hearings

a. Debtors will submit requests for hearing, authorized per 5 USC 5514, by petition. DA Form 5813-R (Petition for Hearing) is used to petition for a hearing. DA Form 5813-R is located at the back of this regulation. Reproduce this form on 8 1/2 x 11 inch paper. DA Form 5813-1-R (Information Concerning Petition for Hearing) contains information for the debtor concerning the petition. Debtors will complete and attach DA Form 5814-R when submitting DA Form 5813-R. (Note: Do not submit requests for waivers and hearings simultaneously. If applicable, requests for waivers are submitted and processed first. If the request for a waiver is denied, then give the debtor an opportunity to file a petition for a hearing, see Figure 15-5. Suspend collection action when an application for a waiver is pending unless the debtor resigns or retires. If the debtor resigns or retires make collection from final pay or retired pay.)

b. Determine whether the debtor's petition for hearing was filed within the time limits specified in paragraph 15-26. (Note: If the debtor fails to file a petition for hearing on time, the FAO/DAO will immediately process the debt for collection.) Time and date stamp petitions upon receipt. Process petitions submitted on time from debtors entitled to hearings as follows:

- (1) Examine the debt basis, amount, and repayment schedule.
- (2) Within 5 days after receiving a petition for a hearing, provide the debtor with the following:
 - (a) A statement that the debt has been reconsidered; the results of a reconsideration indicating whether the debtor's contentions have been accepted in whole or in part; and, if reconsideration has resulted in a change in the basis or amount of the debt or the terms of the repayment

schedule, a request that the debtor accept the reconsideration in lieu of the requested hearing. If the debtor accepts the results of reconsideration in lieu of a hearing, make the collection accordingly. (See Figures 15-1 and 15-2)

(b) If the debtor does not accept the reconsideration in lieu of a hearing, the FAO/DAO will forward within 10 days the petition for hearing, prehearing submissions submitted by the debtor, and documentation to DFAS-Indianapolis Center, ATTN: DFAS-IN/DDCM, 8899 East 56th Street, Indianapolis, IN 46249-0001.

(c) DFAS-IN will determine the type of hearing and forward the file to the military department that will conduct the hearing.

(3) Upon completion of the hearing, the hearing department will return the decision, summary record, and documentation to DFAS-IN.

(4) DFAS-IN will return the decision, summary record, and documentation to the FAO/DAO.

(5) Begin offset in accordance with the hearing official's decision in the next feasible pay period after the FAO/DAO receives the decision.

c. Before taking involuntary offset per 5 USC 5514, give the debtor the opportunity for a hearing. DFAS-IN will give debtors, who petition for hearings under this authority, paper hearings unless--

(1) The debtor requests waiver of the indebtedness, and the waiver issue is based on an issue of credibility or truthfulness, or

(2) The debtor requests reconsideration of the debt and the U.S. Army determines that the question of indebtedness cannot be resolved by a review of documentary evidence. (For example when the validity of the debt is based on an issue of credibility or truthfulness.) Debtors who are granted oral hearings may change their requests to paper hearings if the request is received at least 3 days before the scheduled hearing date. A debtor cannot change an elected paper hearing to an oral hearing.

d. U.S. Army employees will not conduct hearings for debts owed the U.S. Army by other U.S. Army employees. U.S. Army personnel eligible to hold hearings for other DoD components or Federal agencies are grievance and appeals examiners, attorney advisers, judge advocates, and others who have been trained in or who have performed hearing officer duties. DFAS-IN will select the DoD component to conduct the hearing. However, the component holding the hearing will assign the hearing official. When the U.S. Army provides an oral hearing for another DoD component, the commander of the installation nearest the hearing location is responsible for assigning a qualified hearing official to conduct the hearing.

e. The creditor agency will pay travel and per diem expenses for hearing officials to attend oral hearings.

f. Give debtors only one opportunity for a hearing.

15-26. Debtors hearing responsibilities

a. Debtors must file hearing petitions with U.S. Army creditor organizations within 30 days from the date they receive notification of the U.S. Army's intent to offset salary or within 45 days after receipt of records, if the debtor requests such records. Add 15 days when correspondence must go through non-U.S. mail systems. (This provision is for individuals who live overseas and must use overseas mail systems to respond to the demand letter.)

b. The debtor's petition should indicate whether the debtor is contesting the validity and amount of the debt and/or the proposed offset schedule.

c. Debtors are responsible for expenses related to their attendance, their representatives, and witnesses at oral hearings.

15-27. Petitions for hearings regarding validity and amount of debts

Debtors who petition for hearings regarding the validity and amount of debts must provide the U.S. Army creditor organization with the following documents within the time limits specified in paragraph 15-26a:

a. A statement of the reasons why the debtor believes that the debt is erroneous, including a description of all facts, evidence, and witnesses on which the debtor bases the statement.

b. Copies of any pertinent records the debtor plans to introduce at the hearing, if they differ from those provided by the creditor organization.

c. For oral hearings, the name of the debtor's representative, if any.

d. For oral hearings, if the debtor will have witnesses, a list of their names and a summary of their anticipated testimony.

15-28. Petitions for hearings regarding proposed salary offset schedules

Debtors who petition for hearings regarding proposed salary offset schedules must provide the creditor organization with the following, within the time limits specified in paragraph 15-26a:

a. A proposed alternative salary offset schedule.

b. Specific details concerning income and expenses of the debtor, and his/her spouses and dependents for one year preceding the creditor component's notice. This will include projected income and expenses during the proposed repayment period.

c. A statement of the reasons why the debtor believes the proposed salary offset schedule imposes extreme financial hardship.

d. Copies of any pertinent debt records the debtor plans to introduce at the hearing, if they differ from any provided by the creditor organization.

15-29. Waiver of rights to hearings

a. Debtors forfeit their hearing rights and will have their salaries offset according to established offset schedules, if they fail to-

(1) File a hearing petition and required submissions with the creditor organization by the deadline date.

(2) Appear on time at a scheduled oral hearing.

b. Debtors who fail to meet the conditions in (1) and (2) above may petition for a determination that they had good cause for the failure. Petitions to show good cause must be received by the creditor organization within 5 days after the deadline date or hearing date. The FAO/DAO will forward the petition and any appropriate documentation to DFAS-Indianapolis Center, ATTN: Department 80, 8899 East 56th Street, Indianapolis, IN 46249-0001, within 5 days of receipt. DFAS-IN will forward the petition to a hearing official for a determination. If the hearing official determines good cause has been shown, the debtor will be offered a hearing.

15-30. Requesting salary and administrative offset from another DoD component or Federal agencies

a. Send requests for salary and administrative offset for a U.S. Army debtor employed by another DoD component or non-DoD Federal agency directly to the debtor's employer. Include the following certifications and information:

(1) A statement that the debtor was provided due process per 5 USC 5514, 31 USC 3716, 37 USC 1007(c), or other statutory authority.

(2) A DD Form 139 (Pay Adjustment Authorizations) (for non-U.S. Army members, the statement, "Member has been provided due process in accordance with DoD 7000.14-R, Volume 7 is required on the DD Form 139); a DD Form 2481 (Request for Recovery of Debt Due to the United States by Salary Offset); SF 2805 and OPM Form 1552; or other authorized form. Use DD Form 139 for service members and DD Form 2481 for all current (on the rolls) civilians. Request DD Form 2481 from Commander, U.S. Army Publications Center, 2800 Eastern Boulevard, Baltimore MD 21220-2896. Use SF 2805 and OPM Form 1552 for collecting debts for Federal (off the rolls) civilians (see AR 37-105).

(3) Details of the debt, including the basis, amount, payment due date, and the date on which it was determined that the debt was due.

b. When a debtor consents to salary or administrative offset in writing, debt certification is not required. When a debtor signs a statement acknowledging receipt of required due process procedures and the writing or statement is attached to the debt claim form sent to the paying agency, debt certification is not required.

c. The U.S. Army organization requesting offset by another DoD component or non-DoD Federal agency is responsible for coordinating the amount, frequency, and date of the first installment, if the date is different from the next established pay period.

d. U.S. Army organizations that have requested offset by a DoD component or non-DoD Federal

agency and receive notification that a debtor has transferred to another employer will ensure that the new employer resumes debt collection.

e. Process involuntary offset for U.S. Navy members indebted to the U.S. Army as follows:

(1) Prepare and mail the DD 139 to the U.S. Navy member's current disbursing office (DO). For retirees and reservists, send the DD 139 to: Commanding Officer, U.S. Navy Finance Center, Code 4511, Anthony J Celebrezze Federal Building, Cleveland, OH 44199-2055.

(2) Each DD 139 will bear a signed certification by the finance accounting officer/defense accounting officer that due process rights specified by the DoD 7000.14-R, Volume 7, Paragraph 77B as appropriate, have been afforded the service member.

(3) The DD 139 will contain a complete accounting classification for credit or a complete check mailing address.

15-31. Offset requests from other Federal agencies and DoD components

a. Creditor organizations are responsible for and will certify completion of due process procedures to the U.S. Army organization making the salary or administrative offset.

b. U.S. Army organizations processing offset requests from another DoD component or non-DoD Federal agency are not authorized to determine the merits of debts for which offset is requested.

c. U.S. Army organizations making salary and administrative offsets for another DoD component or non-DoD Federal agency will provide the debtor with a copy of the debt claim form. They will also advise the debtor in writing if the date salary deductions begin differs from that on the debt claim form. Provide the debtor with a point of contact (POC) at the creditor agency. Notify the debtor in writing when collections will be made by offset from non-salary amounts.

d. When a U.S. Army employee, whose debt is being collected by salary or administrative offset, transfers to a different paying agency or terminates employment before the debt is paid, the U.S. Army organization collecting the debt will notify creditor components. The U.S. Army organization collecting the debt will also certify amounts collected to creditor DoD components or non-DoD Federal agencies and provide copies of certifications to debtors. For transfers within DoD, include originals of the debt claim forms and copies of certifications of amounts collected in the debtor's official personnel folders.

e. DMDC will receive and certify all requests from non-DoD Federal agencies for salary and administrative offset of debts owed by U.S. Army employees. DMDC will forward requests to paying organizations. Judgment offset requests need not be received through DMDC (see paragraph 15-32).

f. U.S. Army organizations will process salary and administrative offset requests received directly from

other DoD components. When the offset is requested for a U.S. Army service member by another military service under the authority of 37 USC 1007(c), the U.S. Army may confirm the other service's administrative debt determination based upon the record furnished and initiate collection action. Authority to confirm a DoD component's administrative debt determinations is delegated to the FAO/DAO holding the service member's pay record. Direct inquires to DFAS-Indianapolis, ATTN: Department 80, 8899 East 56th Street, Indianapolis IN 46249-0001, and the appropriate U.S. Property and Fiscal Office (USPFO), if applicable. The offset requests must contain the following certifications and information:

(1) Written certification that the debtor was provided due process per 5 USC 5514, 31 USC 3716, or other statutory authority.

(2) DD Form 139 (for military personnel); DD Form 2481 (for civilian personnel); SF Form 2805 and OPM Form 1552 (see AR 37-105); and other authorized forms.

(3) Details of the debt, including the basis, payment due date, and the date it was determined that the debt was due. Debt certification is not required when a debtor consents in writing to salary or administrative offset. Also, debt certification is not required when a debtor signs a statement acknowledging receipt of the required due process procedures and the statement is attached to the debt claim form sent to the paying agency.

g. Begin salary offset at the next feasible pay period after receipt of offset requests from creditor organizations or DMDC. Salary deduction may begin in a later pay period on request by a creditor organization, or another DoD component, or other Federal agency. Make administrative offsets to the debtor when amounts become due and payable, considering the administrative offset requirements in paragraph 15-16.

15-32. Collection by offset from current pay based on judgment against an employee

a. PL 97-276 provides authority for collection of debts by offset from the current pay account of an employee when a judgment has been rendered against the employee in favor of the United States. Collection of these debts is required by law. Procedures for collection are in AR 37-105, Department of Defense Personnel Manual, and the Federal Personnel Manual.

b. Begin offset on the next regularly scheduled pay period after receipt of the completed requisition for offset and an attested copy of the judgment.

15-33. Interest, penalty, and administrative charges

a. Assess interest, penalties, and administrative charges on all delinquent debts from the public with the exception of--

(1) NAFIs.

(2) State and local government debts.

(3) Charges arising under U.S. tariff laws.

(4) When the finance accounting officer/defense accounting officer determines, on a case by case basis (and documents for each individual case), the assessment of charges and fees would be against equity and good conscience. The criteria for such a determination are no indication of fault or lack of good faith on the part of the debtor, and:

(a) The acceptance of an installment plan by the finance accounting officer/defense accounting officer.

(b) The debt was incurred by an apparent administrative error where there is no indication of fraud or misrepresentation on the debtor's part.

(c) The amount of interest is so large in relation to the accepted installments that the principal would never be reduced.

(5) When the finance accounting officer/defense accounting officer determines (and documents for each individual case) that the assessment of charges and fees are not in the best interests of the U.S.

b. The intent of assessing interest, penalty, and administrative charges is to stimulate prompt payment, to recover for the U.S. Treasury the cost of borrowing necessitated by a delinquent receivable, and to recover for the creditor agency the cost of processing and handling delinquent claims.

c. Apply interest, penalty, and administrative charges as follows:

(1) Assess an administrative charge of \$15 on delinquent accounts to cover the cost of processing and handling. This is a one-time charge for each delinquent account and is assessed only if the debtor has been given at least 30 days advance notification.

(2) Assess a penalty charge of 6 percent per year on any portion of a debt that is delinquent more than 90 days. Do not assess this charge until the 91st day of delinquency. Accrue from the date that the debt became delinquent and continue to accrue until the debt is paid in full. Assess this charge only if the debtor has been given at least 30 days advance notice.

(3) Interest charges are part of all late payments whether the debt is paid in a lump sum or by installments. Current interest rate applied to a debt is carried throughout the life of that debt unless default of debt occurs. Upon default of debt, compute interest charges at the then current rate. Also, charge interest on audit related debts no later than 30 days from the date the debtor is notified of the debt. Current interest rate applied to a debt is carried throughout the life of that debt unless default of debt occurs. Upon default of debt, compute interest charges at the then current rate.

(4) Penalty and interest charges--

(a) Will continue to accrue after "date of death" when a claim is filed against an estate.

(b) Will continue to accrue pending waiver of indebtedness on disputed claim settlement actions.

(c) Will not be assessed until the debtor is notified that penalty and interest charges are to be assessed.

(d) Will not be charged if full payment is made within 30 days after the due date from which interest begins to accrue.

(5) Apply collections **first** toward administrative and penalty charges; **second**, toward accrued interest; and **third**, toward the remaining balance due.

d. Process collections into the accounts shown in DA Pam 37-100-FY.

e. Compute interest charges using the formula "I = DNF" where: I = Interest charge

D = Amount of delinquent account receivable (principal only)

N = Number of days delinquent

F = Interest rate per day (annual rate divided by 365 days = daily rate)

For example: If a receivable for \$1,000 is delinquent for 26 days and the prescribed interest rate is 9 percent, accrued interest would be computed as follows:

$I = D \times N \times F$

$I = \$1,000 \times 26 \times (.09/365)$

$I = \$6.41$

15-34. Aging of accounts receivable

a. Age all accounts receivable for all appropriations administered by the U.S. Army for reporting purposes. Classify all receivables in the following manner:

(1) Current receivables are amounts that will become due during the next 12 months following the end of the reporting period.

(2) Non-current receivables are amounts that will not become due within 12 months following the end of the reporting period.

(3) Non-delinquent receivables are amounts outstanding within 30 days from the date of the initial demand letter or within the prescribed due date established in the contract agreement or billing document and up to the next 12 monthly payments to be made on rescheduled debts. Also include amounts outstanding in excess of this time frame that are not overdue according to contract or agreement terms. Consider as "non-delinquent" collections made by deduction from an individual's pay which are submitted prior to the account becoming delinquent. Do not consider receivables with the MSAO delinquent until reported to the installation finance and accounting officer/defense accounting officer (AR 40-330).

(4) Delinquent accounts receivable are amounts remaining unpaid more than 30 days from the date of the billing unless terms of the contract or agreement provide otherwise. When an installation payback agreement allows the installation/activity to declare the full amount of the account due, and the installation/activity has done so, then report as delinquent the entire amount of the account or loan and related interest and penalties.

(5) Rescheduled receivables are receivables and advances that have been subject to rescheduling, forbearance, deferment, re-amortization, or any other form of extending the future of the original payment(s) or payment due dates. Follow the procedures specified in Chapter 39 in rescheduling travel advances. Do not normally reschedule small dollar receivables and advances (\$100 and less) unless rescheduling is prescribed by the commander or is in the best interests of the U.S. Government.

b. The following aging criteria apply to all receivables and advances including rescheduled receivables (See Chapters 29 and 30 for reporting requirements):

(1) Not delinquent-age code A.

(2) Delinquent 1 through 30 days after payment due date-age code B.

(3) Delinquent 31 through 60 days after payment due date-age code C.

(4) Delinquent 61 through 90 days after payment due date-age code D.

(5) Delinquent 91 through 120 days after payment due date-age code E.

(6) Delinquent 121 through 180 days after payment due date-age code F.

(7) Delinquent 181 through 360 days after payment due date-age code G.

(8) Delinquent greater than 1 year but less than or equal to 2 years-age code H.

(9) Delinquent greater than 2 years but less than or equal to 3 years-age code J.

(10) Delinquent over three years-age code K.

(Note: The delinquent period begins more than 30 days from the payment due date.)

For example, if the payment due date is May 1, 1993, the account becomes delinquent on June 1, 1993. On June 30, 1993 the account would be 30 days delinquent.)

c. For aging of rescheduled receivables and advances, consider the rescheduled receivable/advance to be either "current-not delinquent" (for amounts due within 1 year) or "not current" (for amounts due after 1 year). A rescheduled receivable/advance will become delinquent and aged according to paragraph 15-34b above when a scheduled payment is not made as prescribed in the rescheduling agreement.

15-35. Reporting delinquent accounts receivable

a. The FAO/DAO will report delinquent accounts receivable monthly through the comptroller or DRM to the commander. List the following:

(1) The debtor's name.

(2) The organization (address for non-U.S. Government employees).

(3) The SSN, if applicable.

(4) The amount.

(5) Age of debt.

(6) Type of debt.

(7) Collection action taken to date.

(8) A remarks column containing additional information concerning the status of the debt.

(9) Any recommendations, as appropriate.

b. The DFAS-IN will analyze the debt profile of all MACOMs. DFAS-IN may require those MACOMs which appear to have a debt problem to submit a Delinquent Accounts Receivable report for selected installations to the DFAS-Indianapolis, ATTN: Department 80, 8899 East 56th Street, Indianapolis, IN 46249-0001. This report will contain all of the information in paragraph 15-35a, plus a list of the actions taken by the commander to secure payment.

15-36. Accounts receivable transfer program-TFO procedures

a. The following types of debts qualify for transfer (TFO) to DFAS-IN:

(1) Reimbursable services or supplies and related accessorial charges to non-U.S. Army customers.

(2) User charges (charge for special services or property furnished to a public recipient, such as Class B telephone service to military and civilian personnel).

(3) Overpayments of--

(a) Pay, allowances and travel entitlement (including advances) to former civilian employees, former cadets, former IRR members, or former military members.

(b) Contracts or purchase orders.

(4) Contractor related debts-over \$600 (reimbursable support, erroneous overpayments, GPLD).

(5) Dishonored checks (other than those exchanged for cash).

(6) Recoveries for--

(a) U.S. Government property lost or damaged.

(b) Medical claims.

(7) Penalties, administrative, and interest charges assessed on delinquent receivables above are included as a memo entry in the detail of charges portion of the SF 1081. These charges are not TFO'd to DFAS-IN and are reversed off the submitting FAO/DAO books. DFAS-IN will collect all penalties and administrative and interest charges.

b. Use a SF 1081 for transferring (equivalent to a sale) qualifying receivables to DFAS-IN without any loss of budgetary resources.

(1) Establish a single log for each fiscal station to control the assignment of debt reference numbers that will reflect debts transferred to DFAS-IN. This log will have the following column headings: Date, Debt Reference Number (document number), Amount (of the SF 1081), Appropriation Credited, Disbursing Officer Voucher (DOV) Number, DOV Date, and Prepared By. To establish a debt reference number, assign a sequential number consisting of a five-position FSN where the debt was initially recorded, a two-position fiscal year (FY) showing when the debt was transferred, and a three-position sequential number (start with 001) for each debt

transferred for that year. Thus, the eleventh debt transferred by the FAO/DAO, Fort Hood, during FY 93 would be assigned a debt reference number of 11093. This debt reference number is used in the "DOCUMENT NUMBER" block of the SF 1081 and is the common debt reference number to be used for any further actions between the FAO/DAO and DFAS-IN. Take care in assigning the debt reference numbers. Submit the debts to DFAS-IN in serial number sequence. If a SF 1081 includes more than one reimbursement source code (RSC) or subprogram/ subproject for the same accounting classification, an equal number of sequence numbers must be assigned as the debt reference number (for example, 01021-93-001,002). Show each debt transferred as a single line on the log and prepare a separate SF 1081 for each debt. (Note: If more than one debt exists for the same debtor and the debts occurred during the same accounting month, combine these debts on the same SF 1081). (For example, include an individual receiving three outpatient treatments from a medical facility during the same month on a single SF 1081.)

(2) Obtain the next unused document number from the log and complete appropriate log entries. If your FSN reaches 999 before the end of the fiscal year, contact DFAS-Indianapolis Center, ATTN: Department 80, 8899 East 56th Street, Indianapolis, IN 46249-0001, for further instructions. (DSN 699-7443 or commercial 317-542-7443).

(3) Enter the same document number in both the space provided at the top of the Accounts Receivable Checklist, Tables 15-2 through 15-3, and in the document number block on the upper right side of the SF 1081 being prepared for the debt package. See paragraph 15-36 b(6) below for Accounts Receivable Checklist (Tables 15-2 through 15-3)

(4) Prepare SF 1081, which has been overprinted for this procedure (see Figure 15-6). Limit transmittals to 50 cases or less per submission. Any exceptions must be approved by DFAS-Indianapolis Center, ATTN: Department 80, 8899 East 56th Street, Indianapolis, IN, 46249-0001. (DSN 699-7443 or commercial 317-542-7443). DFAS-IN will reject cases not properly completed. SFs 1081 will cite have appropriations with a funded FSN in the summary blocks and the remaining debt as memo data in "item H".

(5) Prepare the overprinted SF 1081 as follows:

(a) For each debtor and debt (except as noted in paragraph 15-8b), credit the accounting classification(s) in which the debt is recorded and charge similar accounting classification(s), substituting OA 19 and FSN 12128 (see Figure 15-7 and Table 15-2).

(b) For those accounting classifications identifying refunds receivable (for example, over-payments, GPLDs, reenlistment bonuses, and so forth), show, as memo data, the RSC as if the transaction was a reimbursable receivable.

(c) Process only the principal on the overprinted SF 1081 as a TFO. Show the uncollected accrued interest, penalty fees, and administrative charges in the narrative on the SF 1081 and remove from the books of the FAO/DAO. If applicable, annotate that the debtor is in a bankruptcy case.

(6) Support each SF 1081 with documents showing the indebtedness and the extent of collection action taken at the installation. Complete the checklist at Tables 15-2 through 15-3 and file with the debt case file retained at the installation. **(NOTE: Do not forward this checklist with SF 1081.)** Retain it with the debt case file at the installation level which may be required for a later debt. (Reproduce Tables 15-2 through 15-3 on 8 1/2 x 11- inch paper.) Keep copies of all pertinent documents to assist in confirming the validity of any disputed debts. Use the following instructions to complete Tables 15-2 through 15-3, Accounts Receivable Checklist.

(a) Sort and label each supporting debt document (that is, cross reference each document to the item number as found on the Accounts Receivable Checklist, Tables 15-2 through 15-3) and submit in the same sequence as items 1 through 17. However, place item 3 (listed on the checklist) on top of the debt package. Enter Yes(Y) or NO(N) in the box provided for that item, for the debtor. Enter an explanation for all "NO" entries, except items 8, 12, and 13, in item 18. (Note: item 18 is completed on a blank 8 1/2 x 11 inch paper which is attached to the checklist).

(b) Place an "X" in the box (at the top of the form) that identifies the type of debtor for which the debt is being submitted.

(c) Begin with item 1. Label the lower right corner of the bill and debt notification letter (DNL), when required, as item 1. For medical debts, make sure a copy of the MSAO bill and the admittance card for the debtor is included.

(d) Item 2 applies only to Category D debtors. No separate documentation is required as the bill or debt notification letter (DNL) will support a "Yes" entry in the box. DFAS-IN will reject a "No" entry for Category D debtors since write-off of these debts is required instead of transferring for collection.

(e) Item 3 is the SF 1081; therefore, it is an automatic "Yes" for each debtor. The SF 1081 is the first document in the package and does not require an item label in the lower right corner.

(f) Item 4 is not required for all debtors. If required for the debt package being prepared, label the lower right corner of the follow-up letter and response as item 4.

(g) Item 5 does not necessarily require separated documentation. The debtor's name is required in the body of the SF 1081 and is required to be legible on the bill, DNL, or follow-up letter.

(h) Item 6 is not required for all debtors. It also does not necessarily require separate documentation. The debtor's SSN or employee identification number

(EIN) is required in the body of the SF 1081, when applicable.

(i) Item 7 also does not necessarily require separate documentation. If a document is available, label the lower right corner as item 7. If the debtor's latest address is not reflected in any documentation, make every effort to obtain the address and list the address in item 18.

(j) Item 8 may not be applicable and does not require an explanation in item 18 for a "No" answer.

(k) Item 9 is required for all debtors. Label the lower right corner of each document as item 9. For dishonored checks, include the original check.

(l) Item 10 is required for Category C and E debtors only. Label the lower right corner of referral documents and debtor responses, if any, as item 10.

(m) Item 11 applies to Category B debtors only. Label the lower right corner of follow-up to and response from the procuring contracting officer as item 11.

(n) Item 12 applies to Category B debtors only and does not require an explanation in item 18 for a "NO" answer. Label the lower right corner of any documentation pertaining to administrative offset as item 12.

(o) Item 13 only applies when a non-Federal, state, local, or foreign government debtor is involved in bankruptcy/insolvency proceedings. An explanation in item 18 for a "no" answer is not required. A "Yes" answer requires that the notification of bankruptcy be attached. Label the lower right corner of the document(s) evidencing bankruptcy/insolvency status as item 13.

(p) Item 14 applies to Category C debtors only. Label the lower right corner of DD Form 1144 (Support Agreement), DD Form 448 (Military Interdepartmental Purchase Request (MIPR)), or the Memorandum of Agreement as item 14.

(q) Item 15 applies to all debtors. Label the lower right corner of any OF 271 (Conversation Record) as item 15. Many debts can be resolved by making telephone contact with debtors concerning payment of their debts. Remind debtors that you are in the process of forwarding their debt to DFAS-IN for centralized collection by collection agencies. Be friendly, do not make any harsh threats, and document what you are told.

(r) Item 16 applies to all debtors and does not necessarily require separate documentation. If the debtor's telephone number is not available in the documentation, and a telephone number is available in the local telephone directory, list the number in item 18.

(s) Item 17 applies only to Category D former Federal civilian employees. Label the lower right corner of the Request for Recovery of Debt Due the U.S. and any response from OPM.

(t) Item 18 contains comments, when required for other items on the checklist, and may contain any other information considered appropriate. Complete

item 18 on 8 1/2 x 11 inch paper and attach to the checklist located at Table 15-2.

(7) Process the SF 1081 no more than 10 calendar days from the last suspense date.

(8) Annotate the applicable debt reference number on any correspondence received from the debtor after the SF 1081 is processed and mail to the DFAS-Indianapolis Center, ATTN: Department 80, 8899 East 56th Street, Indianapolis, IN 46249-0001, within 3 workdays.

(9) Any collections that are received by the FAO/DAO after the debt is transferred will cite the applicable accounting classification from the SF 1081 transfer and OA 19 with FSN 12128 on a cash collection voucher. If time constraints do not allow identification of the specific account to be credited, cite the FAO/DAO's Budget Clearing Account (21F3875) on the cash collection voucher. In this case, promptly prepare a SF 1081 to clear the 21F3875 account and credit the OA 19 and FSN 12128 accounting classification.

(10) If an installation transfers a debt to DFAS-IN that does not meet the transfer criteria, DFAS-IN will reject the SF 1081. On receipt of rejected documentation, the installation will reestablish the debt (as an accounts receivable) and associated administrative, late interest, and penalty charges in the FAO/DAO accounts and initiate appropriate collection actions.

(11) If a debtor's rebuttal provides proof that a billing is not valid, DFAS-IN will prepare and process a reversal SF 1081. On receipt of the TBO, the installation's FAO/DAO will reestablish the debt and associated administrative, late interest, and penalty charges. The FAO/DAO will determine the cause for the invalid charge and initiate appropriate corrective action.

(12) DFAS-IN will TFO the uncollectible debt (principal only) back to the originating FAO/DAO which will require the FAO/DAO to reestablish the principal debt and write it off.

(13) For funds/cash reservations, no-year, and multi-year appropriations:

(a) Record reservation of available funds when a receivable (for example, overpayments, GPLDs, appropriation refund, appropriation reimbursement, and so forth) is transferred to DFAS-IN.

(b) Record reservation of cash when a significant amount (\$100,000 or greater) of those funds is subject to cash controls.

(c) If DFAS-IN is unable to fully collect debts transferred from no-year and multi-year funds, DFAS-IN will transfer the uncollected portion (principal only) back to the applicable FAO/DAO by a reverse SF 1081 with authority to write off entries. (See Figure 15-8 for an example). The FAO/DAO will reestablish the debt by reversing the fund reservation and recording the reverse collection and the appropriate write-off entries.

(d) Write off the accounts receivable upon receipt of a reversal SF 1081 by reestablishing the receivable with a reverse collection and recording the write-off entries.

15-37. Transfer program-non TFO procedures

a. Certain uncollectible debts do not qualify for the TFO transfer program and must be mailed to DFAS-Indianapolis, ATTN: Department 80, 8899 East 56th Street, Indianapolis, IN 46249-0001. Submit DA Form 200 with copies of all debt-related actions. (For example, bills and letters of notification; DD Form 139, DA Form 3154, DD Form 2481 (if applicable); DA Form 1857 (if applicable); copies of report of surveys; and so forth.) Submit request for DA Form 200 to Commander, US Army Publications Distribution Center, 2800 Eastern Boulevard, Baltimore, MD 21220-2896. Submit three separate sets of documents relating to the uncollectible debt.

b. The following types of debts do not qualify for the TFO transfer program but qualify for the Collection Assistance Program:

(1) Open allotment accounts.

(2) Clothing sales store debts.

(3) All National Guard Bureau debts, except when service members are on Defense Joint Military Pay System (DJMS).

(4) All IRR debts.

(5) Miscellaneous receipt account debts.

(6) USAR debts, except when service members are on DJMS.

(7) Loss of funds.

(8) Medical debts, only if the entire debt is applicable to open allotment. If part of the debt is open allotment and part is applicable to a specific allotment, use the TFO transfer procedures. Annotate that part of the debt applicable to open allotments on the SF 1081 (see Figure 15-9).

(9) Reports of survey.

c. DFAS-IN will acknowledge receipt of the debt packages by sending back a copy of DA Form 200 (Transmittal Record) stamped "receipt acknowledged." This is not the authority to write off the uncollectible debt. DFAS-IN will provide, in writing, the authority to write off debts.

15-38. Procedures for contract debt resulting from termination for default

a. Contracting officers are responsible for making demands for payment of contract debts resulting from termination for default (for example, excess cost of procurement, unliquidated progress payments, and liquidated damages).

b. The contracting officer will send a copy of the demand letter, at the time it is issued to the contractor, to the accounts payable office, which makes payment on the contract.

c. Procedures for forwarding contractor debts are prescribed in the FAR (Subpart 32.6) and U.S. Army FAR Supplement (AFARS) 32.606. The instructions

require a debt record for each debt transferred consisting of-

- (1) Name and address of contractor.
- (2) Contract number.
- (3) Description of debt (for example, unliquidated progress payments, procurement costs, and so forth).
- (4) Amount of debt.
- (5) Date debt determined.
- (6) Copy of demand letter.
- (7) Appropriation to be credited.
- (8) Amounts and dates of any collections.
- (9) Date of any appeal filed or action brought in the Court of Claims under Disputes Act.
- (10) Date of any appeal to the Armed Services Board of Contract Appeals (ASBCA) and the ASBCA case number.
- (11) DA Form 1857.
- (12) Installation point of contact, including phone number.

d. The contracting officer will forward the debt package to the finance and accounting officer/defense accounting officer. The contracting office will forward this package forty-five days after submission of a demand letter.

15-39. Procedures for credit card collection

a. Activities may accept credit cards from the public for collection of moneys due from sales, services, fees, fines, and debt repayment. Activities will separately contact the network bank under contract to the Treasury Department and enter into a credit card participation agreement with the network bank. The network bank is Mellon Bank of 128 Corporate Center, 70 Blanchard Road, Burlington, MA 01803, (617) 229-1997. Obtain approval from the Finance Procedures Office or equivalent organization at the servicing DFAS center prior to accepting and/or processing credit card sales.

b. The activity must have transactions of \$15,000 or more per year, a minimum of 10 transactions per month, and a minimum transaction amount of \$5.00. Notify the servicing DAO/FAO as part of the cost-benefit analysis required to determine whether potential volume justifies the cost of credit card use. Contact the network bank directly to obtain information and general cost estimates associated with implementation and maintenance. Individual activities must pay for their own equipment which they can either rent or purchase. The network bank will forward the equipment along with all supplies and procedures.

c. The network bank will assign a separate vendor account number to each activity. They will deposit daily receipts into the TGA at the FRB (Federal Reserve Bank) New York, using the DSSN associated with the specific vendor account number.

The network bank then forwards an SF 215 for each activity to the FAO/DAO. The FAO/DAO should receive the SF 215 from the bank within five to seven

days. The network bank will bill U.S. Treasury directly and U.S. Treasury will provide compensation to the banks for the discount fees.

d. Upon receipt of the credit card from the patron, determine that:

- (1) the card is a VISA or Master Card only,
- (2) the card is valid on its face,
- (3) if the card bears a "valid from" date, that such date has passed,
- (4) if the card is a VISA card, that the four digits printed above the account number are the same as the first four digits embossed on the card,
- (5) the card bears the signature of the cardholder,
- (6) if the card bears a termination date, that such date has not expired, and
- (7) the cardholder's signature has not been visibly altered.

e. Obtain authorization for the transaction from the network bank's authorization center, using the methods provided by the bank. Enter the authorization code on the credit card charge slip along with the information regarding the transaction.

f. Have the patron sign the credit card slip on the back and verify that signature with the signature on the back of the card.

g. At the end of the business day, use the procedures provided by the network bank to obtain the totals and settlement number from the terminal. Balance this total with the credit card slips. Prepare a separate DD Form 1131 for credit card collections. Annotate the settlement number on the DD Form 1131. Attach the original credit card slips to the DD Form 1131, and check that the total is equal to the sum of the individual credit card slips and the amount of the settlement. Retain a copy of the DD Form 1131 and the individual credit card slips. A record of each transaction must be retained for six years, three months. Turn in the DD Form 1131 to the FAO/DAO.

h. The FAO/DAO will process the credit card DD Form 1131 in the same manner as a cash DD Form 1131. Separate the charge slips from the DD Form 1131 and treat them as negotiable instruments. Post the collection as an increase to Columns 4 and 13 on the DA Form 3994 (Cash Collection Blotter). Maintain a subsidiary schedule to DA Form 3994, column 9 which identifies the DD Form 1131, settlement number, date, and amount of credit card slips.

i. When the network bank forwards the SF 215 (Deposit Ticket), verify the SF 215 information with the DD Form 1131. The network bank will annotate the proper settlement confirmation numbers on the SF 215. Handle any charge backs on transactions not accepted for collection by the bank in the same manner as uncollectible checks. Reverse the original collection and establish the receivable.

j. The network bank will also forward a weekly or monthly Settlement Report of the credit card activity. The summary will detail dates of deposits, dollar

amounts of deposits, number of transactions processed, adjustment charges, and chargebacks. Use this report to reconcile any differences which may occur between the report and entries into the accounting system. Also, use this report to reconcile the DD Forms 1131 submitted to the FAO/DAO. Process and document all adjustments or chargebacks in accordance with the credit card participation agreement. The reconciliation should be performed by other than the collection office personnel.

k. Establish internal control procedures to ensure the proper safeguarding of credit card transaction documentation to support all DD Forms 1131 submitted to the FAO/DAO. Documentation will be available for use by the FAO/DAO Quarterly Cash Verification Board, the Collection Agent Audit Board, and for other audit purposes.

15-40. Write-off of DBOF Accounts Receivable

FAOs/DAOs supporting DBOF activities are responsible for reviewing their outstanding accounts receivable and taking appropriate action to collect or write-off invalid or uncollectible amounts. When accounts receivable are determined to be invalid or uncollectible, process as a reduction to current period DBOF revenues and report as a reduction to orders and earnings on the RCS CSCFA-112 (Status of Reimbursements) report.

Table 15-1.--Current civilian employee debt collection table

Type of debts	Collection Limits	Interest
Advance annual leave (AL) or sick leave (SL) ¹	NA	X
Advance of Pay--outside CONUS ²	No limit	O
Dual compensation	15% DP	X
Erroneous payment-election--four pay periods or under ³	No limit	O
Erroneous payment--all other	15% DP	O
Health benefit premiums--nonpay status ⁴	25% DP	O
Hospital charges	15% DP	X
Judgments on debts due United States ⁵	25% DP	X
Living quarters allowance	No limit	X
Loss of debts	No limits	X
Nonappropriated funds ⁶	NA	O
Nonsufficient funds checks ⁷	15% DP	X
Other Federal agency	15% DP	X
PCS	No limit	X
Report of survey/GPLD	15% DP	X
Travel	No limit	X
Voluntary allotments ⁸	No limit	X

Legend: X = Yes; O = No; DP = Disposable Pay; NA = Not Applicable.

Notes:

¹ Advanced leave does not become a debt until employee separates. The leave need not be collected if employee dies or is disabled (AR 37-105.)

² Since the repayment period is agreed to at the time of the advance, further notification of salary offset is not required. (See AR 37-11 In Civilian Pay Message 86-32, a maximum recovery period of 26 pay periods is authorized for an advance of pay.

³ When an employee elects benefit coverage (for example, health benefits, life insurance) or a change in coverage, erroneous payment related to such election when the debt was accumulated for four pay periods and under may be collected from pay without offering the employee a hearing.

⁴ For procedures concerning payment of Federal employee health benefit premiums for periods of non-pay status or insufficient pay. (AR 37-105.)

⁵ See AR 37-105. Collections are limited to 25 percent of disposable pay unless more is needed to satisfy debt while employed. Judgment offset deduction checks should be made payable and mailed to the agency that obtained the judgment against the debtor, as specified in the requisition for offset letter (FPM chapter 552, Judgment Offsets). Offset procedures for other Federal agency debts, excluding judgment offset, are in Letter of Instruction 37-105 (85-1), 16 April 1985.

⁶ There is no statutory authority to collect nonappropriated fund debts from civilians.

⁷ Nonsufficient fund checks made payable to the United States may be collected, but not those payable to nonappropriated fund instrumentalities. In addition, preconsent is required to cash checks. (See Chapter 40 and DoD 7000.14-R, Volume 5)

⁸ Voluntary allotments to pay debts are not allowed except for alimony/child support or debts due the United States (AR 37-105). When an employee requests an allotment, there is no limit on the debt payment amount. However, debt payments may not exceed net pay.

Table 15-2.--Accounts Receivable/Advances Transfer to DFAS-IN: (Examples of Accounting Classification Conversion)

FAO/DAO					DFAS-IN				
21*1705	**_****	(RSC **)	P0510000-****	S*****	21*1705	19-0000	(RSC **)	P051000-****	SS12128
21*2020	**_9930		P0930-4100	S*****	21*2020	19-9930		P0930-4100	SS12128
21*2020	**_****	(RSC **)	P201113-****	S*****	21*2020	19-0000	(RSC **)	P201113-****	SS12128
21*2020	**_C-***		P201113-****	S*****	21*2020	19-C-***		P201113	SS12128
21*2065	**_****	(RSC **)	P370000-****	S*****	21*2065	19-0000	(RSC **)	P370000-****	SS12128
21*2065	**_C-***		P370000	S*****	21*2065	19-C-***		P370000	SS12128
21*2070	**_****	(RSC **)	P325110-****	S*****	21*2070	19-0000	(RSC **)	P325110-****	SS12128
21*2070	**_C-***		P325110	S*****	21*2070	19-C-***		P325110	SS12128
21*2080	**_****	(RSC **)	P510000-****	S*****	21*2080	19-0000	(RSC **)	P510000-****	SS12128
21*2080	**_C-***		P510000	S*****	21*2080	19-C-***		P510000	SS12128
21*7025	**_****	(RSC **)	P191000-****	S*****	21*7025	19-0000	(R**)	P191000-****	SS12128
21*7025	**_C-***		P191000	S*****	21*7025	19-C-***		P191000	SS12128
21*2031	**_****	(RSC **)	P141000-****	S*****	21*2020	19-0000	(RSC **)	P950000-****	SS12128
21*2031	**_C-***		P14000	S*****	21*2020	19-C-***		P950000	SS12128
21*2032	**_****	(RSC **)	P258100-****	S*****	21*2020	19-0000	(RSC **)	P950000-****	SS12128
21*2032	**_C-***		P250000	S*****	21*2020	19-C-***		P950000	SS12128
21*2033	**_****	(RSC **)	P311100-****	S*****	21*2020	19-0000	(RSC **)	P950000-****	SS12128
21*2033	**_C-***		P310000	S*****	21*2020	19-C-***		P950000	SS12128
21*2034	**_****	(RSC **)	P411300-****	S*****	21*2020	19-0000	(RSC **)	P950000-****	SS12128
21*2034	**_C-***		P410000	S*****	21*2020	19-C-***		P950000	SS12128
21*2035	**_****	(RSC **)	P519100-****	S*****	21*2020	19-0000	(RSC **)	P950000-****	SS12128
21*2035	**_C-***		P510000	S*****	21*2020	19-C-***		P950000	SS12128
21*2040	**_****	(RSC **)	P691000-****	S*****	21*2020	19-0000	(RSC **)	P950000-****	SS12128
21*2040	**_C-***		P691000	S*****	21*2020	19-C-***		P950000	SS12128
21*2050	**_****	(RSC **)	P670000-****	S*****	21*2020	19-0000	(RSC **)	P950000-****	SS12128
21*2050	**_C-***		P670000	S*****	21*2020	19-C-***		P950000	SS12128
21*2085	**_****	(RSC **)	P851100-****	S*****	21*2020	19-0000	(RSC **)	P950000-****	SS12128
21*2086	**_****	(RSC **)	P861100-****	S*****	21*2020	19-0000	(RSC **)	P950000-****	SS12128
21*7020	**_****	(RSC **)	P181000-****	S*****	21*2020	19-0000	(RSC **)	P950000-****	SS12128
21X4528	**	(RSC **)		S*****	21*2020	19-0000	(RSC **)	P950000-****	SS12128
21X4528	**_C-***			S*****	21*2020	19-C-***		P950000	SS12128
21X4991.0	*** **	(RSC **)		S*****	21*2020	19-0000	(RSC **)	P950000-****	SS12128
21X4991.0	*** **_C-***			S*****	21*2020	19-C-***		P950000	SS12128
21X4992.0	*** **	(RSC **)		S*****	21*2020	19-0000	(RSC **)	P950000-****	SS12128
21C4992.0	*** **_C-***			S*****	21*2020	19-C-***		P950000	SS12128
21X8420	26	(RSC **)		S44206	21*2020	19-0000	(RSC **)	P950000-****	SS12128
21X8420	26-C-***			S44206	21*2020	19-C-***		P950000	SS12128
21R****	** 0 **			S*****	21R****	19 0 **			SS12128

Table 15-3. Accounts Receivable Checklist

		SF 1081 Document Number (FSN-FY-SEQ#)				
CATEGORY OF DEBTOR (Circle one)	A	B	C	D	E	
CATEGORY "A"						
TYPE OF DEBTOR (Place an "X" in the appropriate box.)	Army Retiree	Other Service Military	Civilian Retiree	Other Service Civilian	Bankruptcy/Insolvency	
				YES	NO	
1. Two copies of bill and/or notification letter (DNL) are attached.						
2. Two copies of SF 1081 are attached.						
3. Is the debtor's name complete and legible?						
4. Is the debtor's SSN or EIN listed and legible?						
5. Is the debtor's last known address listed and legible?						
6. Two copies of all documents evidencing the debt are attached.						
7. Is the debtor involved in a bankruptcy/insolvency proceeding? If yes, attach two copies of the bankruptcy/insolvency notice.						
8. Two copies of any documentation for a telephone conversation are attached.						
9. Debtor's telephone number is provided.						
CATEGORY "B"						
TYPE OF DEBTOR - Government Contractor						
				YES	NO	
1. Two copies of bill and/or notification letter (DNL) are attached.						
2. Two copies of SF 1081 are attached.						
3. Is the debtor's name complete and legible?						
4. Is the debtor's SSN or EIN listed and legible?						
5. Is the debtor's last known address listed and legible?						
6. Separate billing address, if applicable.						
7. Two copies of all documents evidencing the debt are attached.						
8. Two copies of the follow-up sent to the P&C Office and two copies of the response are attached.						
9. Two copies of the administrative offset are attached.						
10. Is the debtor involved in a bankruptcy/insolvency proceeding? If yes, attach two copies of the bankruptcy/insolvency notice.						
11. Two copies of any documentation for a telephone conversation are attached.						
12. Debtor's telephone number is provided.						
CATEGORY "C"						
TYPE OF DEBTOR (Place an "X" in the appropriate box.)	Non-DoD Agency		Other Service or DoD Agency			
			YES	NO		
1. Two copies of bill and/or notification letter (DNL) are attached.						

Table 15-3. Accounts Receivable Checklist(continued)

	YES	NO		
2.Two copies of SF 1081 are attached.				
3.Two copies of the follow-up letter sent to the debtor and two copies of the debtor's response are attached.				
4.Is the debtor's name complete and legible?				
5.Is the debtor's last known address listed and legible?				
6.Separate billing address, if applicable.				
7.Two copies of all documents evidencing the debt are attached.				
8.Two copies of document referring debtor to the CMO GRP/MACOM and two copies of the response from the debtor are attached.				
9.Two copies of DD Form 1144/DD Form 448/DD Form 448-1/MOA are attached.				
10.Two copies of any documentation for a telephone conversation are attached.				
11.Debtor's telephone number is attached.				
CATEGORY "D"				
TYPE OF DEBTOR (Place an "X" in the appropriate box.)	Previously Category A Debtor	Former Cadet	IRR Reservist	Private Citizen
	YES	NO		
1.Two copies of bill and/or notification letter (DNL) are attached.				
2.The debt is greater than \$100.00				
3.Two copies of SF 1081 are attached.				
4.Is the debtor's name complete and legible?				
5.Is the debtor's SSN or EIN listed and legible?				
6.Is the debtor's last know address listed and legible?				
7.Two copies of all documents evidencing the debt are attached.				
8.Two copies of document referring debtor to the CMO GRP/MACOM and two copies of the response from the debtor are attached. (Private citizens only.)				
9.Two copies of the follow-up sent to the P&C Office and two copies of the response are attached. (Private citizens only.)				
10.Two copies of the administrative offset are attached. (Private citizens only.)				
11.Is the debtor involved in a bankruptcy/insolvency proceeding? If yes, attach two copies of bankruptcy/insolvency notice.				
12.Two copies of any documentation for a telephone conversation are attached.				
13.Debtor's telephone number is provided.				
14.Two copies of SF 2805-105 are attached. (Previously Category A debtors only.)				

Table 15-3. Accounts Receivable Checklist (Continued)

CATEGORY "E"				
TYPE OF DEBTOR (Place an "X" in the appropriate box.)	Other, NAFI/PO	State/Local/ Foreign Governments	International Organizations	Business Firms
			YES	NO
1. Two copies of bill and/or notification letter (DNL) are attached.				
2. Two copies of SF 1081 are attached.				
3. Two copies of the follow-up letter sent to the debtor and two copies of the debtor's response are attached.				
4. Is the debtor's name complete and legible?				
5. Is the debtor's SSN or EIN listed and legible? (Business firms only.)				
6. Is the debtor's last known address listed and legible?				
7. Separate billing address, if applicable.				
8. Two copies of all documents evidencing the debt are attached.				
9. Two copies of document referring debtor to the CMO GRP/MACOM and two copies of the response from the debtor are attached.				
10. Is the debtor involved in a bankruptcy/insolvency proceeding? If yes, attach two copies of bankruptcy/insolvency notice. (State/Local/Foreign Governments, International Organizations, and Business Firms only.)				
11. Two copies of any documentation for a telephone conversation are attached.				
12. Debtor's telephone number is provided.				

(Letterhead)

Debtor's Name:

Due Date:

Debtor's Address:

Dear

We have reconsidered your debt.

and

We have determined that (as applicable) (1) the debt basis and/or amount are valid and/or (2) our proposed offset schedule does not cause extreme financial hardship. Collection will be made beginning the next pay period occurring after the due date.

or

Your alternative offset schedule cannot be accepted because you did not establish extreme financial hardship. Collection will be made beginning the next pay period occurring after the due date.

or

We have determined that the debt basis and/or amount is partially invalid and that the amount you owe is \$ (amount). Collection will be made beginning the next pay period occurring after the due date (or: We will collect \$ (incremental amount) per month (or pay period) from your pay until the debt is liquidated.

or

We have determined that the debt basis/amount is not valid and that you do not owe the debt. No further collection action will be taken.

or

Your alternative offset schedule is accepted provided you sign the enclosed installment payment agreement and return it to us by (due date). We will collect \$ (amount) per month (or: pay period) from your pay until the debt is liquidated. Collections will begin the next pay period occurring after the due date

Sincerely,

Enclosure (as applicable)

1. Installment Payment Agreement/See DA Form 5815-R)

Figure 15-1. Sample reconsideration letter, for debtors not requesting or not entitled to hearings

(Letterhead)

Debtor's Name:

Due Date:

Debtor's Address:

Dear:

We have reconsidered your debt.

and

We have determined that (as applicable) (1) the debt basis and/or amount are valid and/or (2) our proposed offset schedule does not cause extreme financial hardship. Your petition has been forwarded to the DFAS-Indianapolis Center for a hearing.

or

Your alternative offset schedule cannot be accepted because you did not establish extreme financial hardship. Your petition has been forwarded to the US Finance and Accounting Center for a hearing.

or

We have determined that the debt basis/amount is not valid and that you do not owe the debt. No further collection action will be taken.

or

We have determined that the debt basis and/or amount is partially invalid and that the amount you owe is \$ (amount). If you agree to accept the results of this reconsideration in lieu of a hearing, sign the Waiver of Hearing attached and return this letter to us by (date--10 days from receipt of petition). If you agree to waive the hearing, we will begin collection from your salary beginning the next pay period.

or

Your alternative offset schedule is accepted, provided you agree to accept the results of this reconsideration in lieu of a hearing and that you sign the enclosed installment payment agreement and return it to us by (date--10 days from receipt of petition). If you agree to accept the results of reconsideration in lieu of hearing, sign the Waiver of Hearing attached and return this letter and the installment payment agreement to us. We will collect \$ (incremental amount) per pay period from your salary until the debt is liquidated. Collections will begin the next pay period.

Sincerely,

Enclosure(s) (as applicable)

1. Waiver of Hearing
2. Installment Payment Agreement (see DA Form 5815-R)

Waiver of Hearing

I agree to accept the results of reconsideration in lieu of a hearing. I agree to waive my right to a hearing under the Debt Collection Act of 1982.

Date:

Debtor's Name:

Figure 15-2. Sample reconsideration letter, for debtors requesting hearings

(Letterhead)

Debtor's Name:

SSN:

Debtor's Address:

Due Date:

Dear:

A recent examination of our records shows that you are indebted to the United States in the amount shown above for the following:

If you do not repay the debt in full before the due date or take other actions indicated below on or before the due date, we will collect the debt by administrative offset deductions from your pay or other amounts due from the U.S. Government. (For collections under 37 USC 1007 (c), indicate the amount of the deduction calculated under DoD 7000.14-R, Volumes 7A & 7B. Deductions of \$ (incremental amount) will be made each month. Deductions will continue until the debt is liquidated.

You have the right to request copies of our records related to the debt. (Or: Copies of our records relating to the debt are enclosed.) You also have the opportunity to request reconsideration of our determination concerning the debt. If you have any information or documents which could invalidate the debt or its amount, you should bring them to the Finance and Accounting Office/Defense Accounting Office or mail them to us within 10 days from the receipt of this letter.

US Army policy provides that debts should be repaid in one payment, whenever possible. However, when such payments will cause you undue financial hardship or other reasonable cause exists, you may request to repay the debt by installment payments. Installment payments must be at least \$50 per month and must be sufficient to repay the debt within the next 3 years. Payments of less than this amount are acceptable only if you can present satisfactory evidence on the enclosed Financial Affidavit that you cannot pay the minimum amount. Payments will continue until the debt is liquidated. Any amounts remaining unpaid at the time of your separation will be collected from final payments of any nature, such as final salary payment, lump sum leave, and bonuses. If you desire to repay the debt in installments, the enclosed Financial Affidavit must be received by us on or before the due date.

(If applicable) We are authorized by law to add interest charges at the per annum rate of (amount) percent on the balance of your unpaid debt. If full payment is not received by the due date, we will begin accruing interest charges. We are also authorized by law to assess administrative costs to cover additional costs incurred in processing and handling delinquent debts. This cost may include our costs of obtaining credit reports or in using a private collection agency to collect the debt. This cost is initially \$15 per delinquent debt. We may also assess a penalty charge on any portion of the debt that is delinquent more than 90 days. This charge will accrue from the date that the debt becomes delinquent. Penalty charges are at the rate of 6 percent a year.

(If applicable) You have the right to request waiver or remission of the debt. If you desire to request waiver, you should submit a completed DA Form 4943-R to the following address:

Collection action will continue until notice of waiver has been received or until suspension of collection has been approved by DFAS-IN or HQDA. Collection action will be suspended only if you can show that the collection will cause undue hardship. In order for your request for suspension of collection action to be considered while your request for waiver is pending, your request for waiver must be received by the official indicated above within 30 days from the date of this letter, or 45 days if you are located in a foreign country.

Sincerely,

Enclosure(s) (as applicable)

1. Financial Affidavit (DA Form 5814-R)
2. Debt Records
3. DA Form 4943-R (Application for Waiver of Erroneous Payment)

Figure 15-3. Sample demand letter for administrative offset (Send certified/registered mail or hand deliver with dated receipt.)

(Letterhead)

(Office Symbol)
Amount of Debt: \$
SSN:
Due Date:

Dear:

A recent examination of our records shows that you are indebted to the United States in the amount shown above for the following:

If you do not repay the debt in full or take other actions described below on or before the due date, we will collect the debt by salary offset. The amount of \$ (incremental amount) will be deducted from your salary beginning (date) and will continue each month until the debt is liquidated.

You have the right to request copies of our records related to the debt. (Or: Copies of our records relating to the debt are enclosed.) You also have the opportunity to request reconsideration of our determination concerning the debt. If you have any information or documents which could invalidate the debt or its amount, you should bring them to the Finance and Accounting Office/Defense Accounting Office or mail them to us within 10 days from the receipt of this letter.

U.S. Army policy provides that debts should be repaid in one payment whenever possible. However, when such payments will cause you undue financial hardship or other reasonable cause exists, you may request repayment of the debt by installment payments. Installment payments must be at least \$50 per month and must be sufficient to repay the debt within the next 3 years. Payments of less than this amount are acceptable only if you can present satisfactory evidence on the enclosed Finance Affidavit that you cannot pay the minimum amount. Payments will continue until the debt is liquidated. Any amounts remaining unpaid at the time of your separation will be collected from final payments of any nature, such as final salary payment, lump sum leave, and bonuses. If you desire to repay the debt in installments, you must complete the Financial Affidavit and return it to us on or before the due date.

(If applicable) We are authorized by law to add interest charges at the per annum rate of (amount) percent on the balance of your unpaid debt. If full payment is not received by the due date, we will begin accruing interest charges. We are also authorized by law to assess administrative costs to cover additional costs incurred in processing and handling delinquent debts. This cost may include our costs of obtaining credit reports or in using a private collection agency to collect the debt. This cost is initially \$15 per delinquent debt. We may also assess a penalty charge on any portion of the debt that is delinquent more than 90 days. This charge will accrue from the date that the debt becomes delinquent. Penalty charges are at the rate of 6 percent a year.

We are required to refer delinquent debts to the Department of Justice for legal action. We are also required to refer delinquent debts to commercial credit bureaus and to commercial collection agencies.

We will promptly refund any amount which you pay, or which is deducted for a debt, that is later found not to be owed unless statutes or regulations prohibit it.

If you do not establish a repayment schedule by written agreement, you have the right to request a hearing concerning the terms of our proposed offset. You also have the right to request a hearing concerning the existence and/or amount of the debt.

In order to request a hearing, you must also complete the enclosed Petition for Hearing and submit the appropriate documents and information listed on the petition. If you are requesting a hearing concerning the terms of our proposed offset schedule, you must also complete the enclosed Financial Affidavit. Your Petition of Hearing must be received by us 30 days from the date of this letter, or 45 days if you are located in a foreign country. (Or: If debt records are not enclosed, your Petition for Hearing and the documents listed on the petition must be received by us within 45 days from the time you receive copies of our records related to the debt.)

If your petition and the required documents are not received by us by the deadline date, you will be deemed to have waived your right to a hearing. The timely filing of a petition for a hearing will stay the collection proceedings, including accrual of interest, penalties, and administrative charges, until the hearing official's decision is issued. If you request a hearing, the final decision will be issued at the earliest practical

Figure 15-4. Sample demand letter for salary offset under 5 USC 5514

date, but no later than 60 days after the filing of your petition unless you request a delay and the hearing official grants the delay in the proceedings.

(If applicable) You have the right to request waiver of the debt. Requests for waiver and petitions for hearings are not processed at the same time. If your request for waiver is denied, you will be given another opportunity to file a hearing petition. If you desire to request waiver, you should submit a DA Form 4943-R, per AR 37-104-4, to the following address:

Collection action will continue until a notice of waiver has been received or until suspension of collection has been approved by DFAS-IN or HQDA. Suspension of collection will be made only if you can show that the collector will cause undue hardship. In order for your request for suspension of collection action to be considered while your request for waiver is pending, your request for waiver must be received by the official indicated above within 30 days from the date of this letter, or 45 days if you are located in a foreign country.

If you knowingly make any false statements or representations or present false evidence concerning this debt, you may be subject to--

- a. Disciplinary procedures appropriate under Chapter 75 of Title 5, United States Code, or any other applicable statutes or regulations.
- b. Penalties under the False Claims Act under Title 31, United States Code, or any other applicable statutory authority.
- c. Criminal penalties under Sections 286, 287, 1001, and 1002 of Title 18, United States Code, or any other applicable statutory authority.

If you retire or resign or if your employment ends before collection of the debt is completed, administrative offset may be made from subsequent payments of any nature, such as final salary payment, lump sum leave, and bonuses, under the authority of 31 USC 3716 without any additional notification to you.

Sincerely,

Enclosure(s) (as applicable)

1. Debt Records
2. Financial Affidavit (DA Form 5814-R)
3. Petition for Hearing (DA Form 5813-R)
4. DA Form 4943-R (Application for Waiver of Erroneous Payment)

Figure 15-4. Sample demand letter for salary offset under 5 USC 5514 (continued)

(Letterhead)

(Office Symbol)

Debtor's Name:

Debtor's Address:

Amount of Debt: \$

SSN:

Due Date:

Dear:

Your request for a waiver of indebtedness in the amount indicated above has been denied. The debt was for the following:

If you do not repay the debt in full or take other actions described below on or before the due date, we will collect the debt by salary offset. The amount of \$ (incremental amount) will be deducted from your salary beginning (date) and will continue each month until the debt is liquidated.

You have the right to request copies of our records related to the debt. (Or: Copies of our records relating to the debt are enclosed.) You also have the opportunity to request reconsideration of our determination concerning the debt. If you have any information or documents which could invalidate the debt or its amount, you should bring them to the finance and accounting office/defense accounting office or mail them to us within 10 days from the receipt of this letter.

U.S. Army policy provides that debts should be repaid in one payment whenever possible. However, when such payments will cause you undue financial hardship or other reasonable cause exists, you may request repayment of the debt by installment payments. Installment payments must be at least \$50 per month and must be sufficient to repay the debt within the next 3 years. Payments of less than this amount are acceptable only if you can present satisfactory evidence on the enclosed Finance Affidavit that you cannot pay the minimum amount. Payments will continue until the debt is liquidated. Any amounts remaining unpaid at the time of your separation will be collected from final payments of any nature, such as final salary payment, lump sum leave, and bonuses. If you desire to repay the debt in installments, you must complete the Financial Affidavit and return it to us on or before the due date.

(If applicable) We are authorized by law to add interest charges at the per annum rate of (amount) percent on the balance of your unpaid debt. If full payment is not received by the due date, we will begin accruing interest charges. We are also authorized by law to assess administrative costs to cover additional costs incurred in processing and handling delinquent debts. This cost may include our costs of obtaining credit reports or in using a private collection agency to collect the debt. This cost is initially \$15 per delinquent debt. We may also assess a penalty charge on any portion of the debt that is delinquent more than 90 days. This charge will accrue from the date that the debt becomes delinquent. Penalty charges are at the rate of 6 percent a year.

We are required to refer delinquent debts to the Department of Justice for legal action. We are also required to refer delinquent debts to commercial credit bureaus and to commercial collection agencies.

We will promptly refund any amount which you pay, or which is deducted for a debt, that is later found not to be owed unless statutes or regulations prohibit it.

If you do not establish a repayment schedule by written agreement, you have the right to request a hearing concerning the terms of our proposed offset. You also have the right to request a hearing concerning the existence and/or amount of the debt.

In order to request a hearing, you must also complete the enclosed Petition for Hearing and submit the appropriate documents and information listed on the petition. If you are requesting a hearing concerning the terms of our proposed offset schedule, you must also complete the enclosed Financial Affidavit. Your Petition of Hearing must be received by us 30 days from the date of this letter, or 45 days if you are located in a foreign country. (Or: If debt records are not enclosed, your Petition for Hearing and the documents listed on the petition must be received by us within 45 days from the time you receive copies of our records related to the debt.)

If your petition and the required documents are not received by us by the deadline date, you will be deemed to have waived your right to a hearing. The timely filing of a petition for a hearing will stay the collection proceedings, including accrual of interest, penalties, and administrative charges, until the hearing

Figure 15-5. Sample demand letter for salary offset under 5 USC 5514, when waiver been denied

official's decision is issued. If you request a hearing, the final decision will be issued at the earliest practical date, but no later than 60 days after the filing of your petition unless you request a delay and the hearing official grants the delay in the proceedings.

If you knowingly make any false statements or representations or evidence concerning this debt, you may be subject to--

- a. Disciplinary procedures appropriate under Chapter 75 of Title 5, United States Code, or any other applicable statutes or regulations.
- b. Penalties under the False Claims Act under Title 31, United States Code, or any other applicable statutory authority.
- c. Criminal penalties under Sections 286, 287, 1001, and 1002 of Title 18, United States Code, or any other applicable statutory authority.

If you retire or resign or if your employment ends before collection of the debt is completed, administrative offset may be made from subsequent payments of any nature, such as final salary payment, lump sum leave, and bonuses, under the authority of 31 USC 3716 without any additional notification to you.

Sincerely,

Enclosure(s) (as applicable)

1. Debt Records
2. Financial Affidavit (DA Form 5814-R)
3. Petition for Hearing (DA Form 5813-R)

Figure 15-5. Sample demand letter for salary offset under 5 USC 5514, when waiver has been denied(continued)

Figures 15-6, 15-7, 15-8 and 15-9. Completion Instructions for SF 1081

- **(1)** OA 19 and FSN 12128 are used to identify accounts receivable transferred for collection. Transfer each qualifying accounts receivable to DFAS-IN by processing a collection citing the appropriation/fund in which the receivable is recorded and by processing a TFO disbursement, charging OA 19 and FSN 12128.

- (2)** Collections/reverse disbursements for single-year appropriations are offset by reverse collections citing the same appropriation as the collection. Collections/reverse disbursements for multi-year/no-year appropriations are offset by reverse collections/disbursements citing current FYOMA appropriation (21*2020), program P950000. Table 15-2 is a matrix containing a representative sample of each accounting classification. In the matrix, the installation accounting classification (labeled FAO/DAO) is converted to the DFAS-IN accounting classification (labeled DFAS-IN).

- (3)** Assign each refund receivable (for example, overpayments, appropriation refunds, GPLDs, medical, reenlistment bonuses, etc.) the RSC that would be assigned if the transaction was a reimbursable receivable. The RSC is shown as a memo in the accounting classification collected and disbursed.

- (4)** Figure 15-7 is an SF 1081 citing several examples of the conversion of installation accounting classifications to the required DFAS-IN accounting classifications described above. It is important that the actual SF 1081 associated with a particular debt "only reflects one debt and one debtor" on each SF 1081.

- (5)** Using the overprinted SF 1081, figure 15-6, enter the accounting month and year in which the transaction is being processed on the line provided (upper left center of the form).

- (6)** Enter the actual date processed in the "Transaction Date" block.

- (7)** Enter the same number in the "Document Number" block that is shown on the accompanying DA Form 5816-R.

- (8)** Enter the same 900,000 series DOV in the "Customer Agency" and the "Billing Agency Voucher Number" blocks.

- (9)** Enter the installation DSSN in the "Billing Agency, Agency Location Code" block.

- (10)** Enter the installation address in the "Billing Agency Address" block.

- (11)** Enter the accounting classification in which the receivable is recorded in the Billing Agency Summary. Include as memo data in the accounting classification the RSC for refunds receivable. Enter the Amount of the receivable and complete the "Total" block.

- (12)** Enter the DFAS-IN accounting classification and the "Amount" in the Customer Agency Summary and complete the "Total" block.

- (13)** Complete items A through H in the body of the SF 1081. All items are self-explanatory except items C and H. If the debt is due from an IRR, circle category D (item C) and annotate the initials IRR in the blank space following category E. Item H is completed when a portion of the total debt being transferred is creditable to an appropriation that cannot be processed as a TFO. For example, the portion of a medical debt that is creditable to 21*2020 with a nominal FSN S99999 cannot be processed as a TFO but is part of the total debt. The accounting classification and amount of the non-TFO portion on the medical debt is entered in item H. See Figure 15-9.

- (14)** Enter the Billing Agency Contact information and complete the Certification portion of the SF 1081.

- (15)** Prepare three additional copies of the completed debt package. Verify that each copy is legible and ensure that the Accounts Receivable Transmittal Checklist is copied for all packets. If copies are made on two pages instead of one page, ensure the debt reference number is annotated on the second page.

- (16)** Process the SF 1081 in the normal manner. Ensure that one copy of the SF 1081 and supporting debt package is retained for future reference. Ensure that three copies of the SF 1081 and three legible copies of the debt package are submitted to DFAS-IN by TFO.

VOUCHER AND SCHEDULE OF WITHDRAWALS AND CREDITS

CHARGE AND CREDIT WILL BE REPORTED ON
CUSTOMER AGENCY STATEMENT OF TRANSAC-
TIONS FOR ACCOUNTING PERIOD _____

Transaction Date _____

Document No. _____

CUSTOMER AGENCY		BILLING AGENCY	
Agency Location Code (ALC)	Customer Agency Voucher No.	Agency Location Code (ALC)	Billing Agency Voucher No.
2100-5570			
DEPARTMENT DFAS-IN BUREAU DIRECTORATE FOR DEBT AND ADDRESS CLAIMS MGMT, ATTN: DFAS-IN/FY INDIANAPOLIS, IN 46249-1401		DEPARTMENT BUREAU ADDRESS	
SUMMARY		SUMMARY	
APPROPRIATION, FUND, OR RECEIPT SYMBOL	AMOUNT	APPROPRIATION, FUND, OR RECEIPT SYMBOL	AMOUNT
(MUST AGREE WITH BILLING AGENCY TOTAL) TOTAL		(MUST AGREE WITH CUSTOMER AGENCY TOTAL) TOTAL	

Details of charges or reference to attached supporting documents

- Name of individual or company (debtor): _____.
- SSN - if individual, EIN - if company, or leave blank: _____.
- Category of debtor (circle one): A B C D E
- Uncollected penalty charges accrued \$ _____.
- Uncollected processing and handling charges accrued \$ _____.
- Uncollected late payment interest charges accrued \$ _____ and rate of interest assessed the debtor _____%.
- If the collection is for an appropriation reimbursement receivable, identify the collection as funded or automatic (circle one): F A N/A
- Other accounting classification(s) and amount(s):

BILLING AGENCY CONTACT:

PREPARED BY _____

APPROVED BY _____

TELEPHONE NO. _____

CERTIFICATION OF CUSTOMER OFFICE

I certify that the items listed herein are correct and proper for payment from and to the appropriation(s) designated.

(Date)

(Authorized administrative or certifying officer)

(Telephone No.)

VOUCHER AND SCHEDULE OF WITHDRAWALS AND CREDITS

CHARGE AND CREDIT WILL BE REPORTED ON
CUSTOMER AGENCY STATEMENT OF TRANSAC-
TIONS FOR ACCOUNTING PERIOD

Month/Year _____

Transaction Date
Actual Date Processed
Document No.
See Chp 19, AR 37-1

CUSTOMER AGENCY		BILLING AGENCY	
Agency Location Code (ALC) 2100-5570	Customer Agency Voucher No. Appropriate 900,000	Agency Location Code (ALC) 2100-6420	Billing Agency Voucher No. Same as Customer Agency Voucher No.
DEPARTMENT DFAS-IN BUREAU DIRECTORATE FOR DEBT AND ADDRESS CLAIMS MGMT, ATTN: DFAS-IN/FY INDIANAPOLIS, IN 46249-1401		DEPARTMENT US Army Missile Command BUREAU Finance and Accounting Division ADDRESS Redstone Arsenal, AL 35898-5050	
SUMMARY		SUMMARY	
APPROPRIATION, FUND, OR RECEIPT SYMBOL	AMOUNT	APPROPRIATION, FUND, OR RECEIPT SYMBOL	AMOUNT
21*2020 19-C-910 P200000 S12128 215202 19-0000 (RSC 905) P200000-2572 S12128 21*2020 19-C-869 P950000 21*2020 19-0000 (RSC ***) P950000-**** S12128 21*2020 19-9930-4100 S12128	XXX.XX1/ XXX.XX2/ XXX.XX3/ XXX.XX4/ XXX.XX5/	21*2020-63-C-910 P200000 S01012 2152020 89-3420 (RSC 905) P200000-2572 S91530 21X4991.0630 63-C-869 S01021 21X4992.0631 63 (RSC ***) S01021 21*2020 63-9930 P930-4100 S01021	XXX.XX1/ XXX.XX2/ XXX.XX3/ XXX.XX4/ XXX.XX5/
(MUST AGREE WITH BILLING AGENCY TOTAL) TOTAL	XXX.XX	(MUST AGREE WITH CUSTOMER AGENCY TOTAL) TOTAL	XXX.XX

Details of charges or reference to attached supporting documents

- A. Name of individual or company (debtor): _____.
- B. SSN - if individual, EIN - if company, or leave blank: _____.
- C. Category of debtor (circle one): A B C D E
- D. Uncollected penalty charges accrued \$ _____.
- E. Uncollected processing and handling charges accrued \$ _____.
- F. Uncollected late payment interest charges accrued \$ _____ and rate of interest
assessed the debtor _____%.
- G. If the collection is for an appropriation reimbursement receivable, identify the collection as
funded or automatic (circle one): F A N/A 1/ Single year appropriation reimbursement
transfer. appropriation refund transfer.
- H. Other accounting classification(s) and amount(s):
Amount: \$ _____ 2/ Single year appropriation refund transfer.
3/ Revolving fund reimbursement transfer.
4/ Revolving fund refund transfer.
5/ Travel advance transfer.
- BILLING AGENCY CONTACT:
PREPARED BY _____
APPROVED BY _____
TELEPHONE NO. _____

CERTIFICATION OF CUSTOMER OFFICE

I certify that the items listed herein are correct and proper for payment from and to the appropriation(s) designated.

(Date)

(Authorized administrative or certifying officer)

(Telephone No.)

Original - Forward To Customer For Payment

Figure 15-7. Sample of a completed SF 1081 overlay for debt transfer

VOUCHER AND SCHEDULE OF WITHDRAWALS AND CREDITS

CHARGE AND CREDIT WILL BE REPORTED ON
CUSTOMER AGENCY STATEMENT OF TRANSAC-
TIONS FOR ACCOUNTING PERIOD _____

Transaction Date _____

Document No.
01021-**-***

CUSTOMER AGENCY		BILLING AGENCY	
Agency Location Code (ALC)	Customer Agency Voucher No.	Agency Location Code (ALC)	Billing Agency Voucher No.
2100-6420	9*****	2100-5570	9*****
DEPARTMENT US Army Missile Command BUREAU Finance and Accounting Div ADDRESS Redstone Arsenal, AL 35898-5090		DEPARTMENT DFAS-IN BUREAU Directorate for Debt and Claims ADDRESS Mgmt, ATTN: DFAS-IN/FY Indianapolis, IN 46249-1401	
SUMMARY		SUMMARY	
APPROPRIATION, FUND, OR RECEIPT SYMBOL	AMOUNT	APPROPRIATION, FUND, OR RECEIPT SYMBOL	AMOUNT
21X4991.0630 63 (RSC ***) S01021	XXXX.XX	21*2020 19-0000 (RSC ***) P950000-**** S12128	XXXX.XX
(MUST AGREE WITH BILLING AGENCY TOTAL) TOTAL	XXXX.XX	(MUST AGREE WITH CUSTOMER AGENCY TOTAL) TOTAL	XXXX.XX

Details of charges or reference to attached supporting documents

Debt number 01021-**-***, forwarded to USAFAC for collection action by attached voucher no. 9*****, has been determined uncollectible; therefore, write-off is authorized. Reestablish the debt as a receivable and write-off to the appropriate/applicable funds.

BILLING AGENCY CONTACT:

PREPARED BY _____
APPROVED BY _____
TELEPHONE NO. _____

CERTIFICATION OF CUSTOMER OFFICE

I certify that the items listed herein are correct and proper for payment from and to the appropriation(s) designated.

(Date)

(Authorized administrative or certifying officer)

(Telephone No.)

NSN 7540-00-634-4234
PREVIOUS EDITION NOT USABLE

1081-108-01

Original - Forward To Customer For Payment

Figure 15-8. Sample of a completed SF 1081 for debt transfer write off.

VOUCHER AND SCHEDULE OF WITHDRAWALS AND CREDITS

CHARGE AND CREDIT WILL BE REPORTED ON
CUSTOMER AGENCY STATEMENT OF TRANSAC-
TIONS FOR ACCOUNTING PERIOD

January 1988

Transaction Date
14 January 1992

Document No.
38042-86-011

CUSTOMER AGENCY		BILLING AGENCY	
Agency Location Code (ALC)	Customer Agency Voucher No.	Agency Location Code (ALC)	Billing Agency Voucher No.
2100-5570	900349	2100-5056	900349
DEPARTMENT DFAS-IN BUREAU DIRECTORATE FOR DEBT AND ADDRESS CLAIMS MGMT, ATTN: DFAS-IN/FY INDIANAPOLIS, IN 46249-1401		DEPARTMENT Finance & Accounting Office BUREAU Accounting Branch ADDRESS Fort Jackson, SC 29207-5550	
SUMMARY		SUMMARY	
APPROPRIATION, FUND, OR RECEIPT SYMBOL	AMOUNT	APPROPRIATION, FUND, OR RECEIPT SYMBOL	AMOUNT
2102020 19-C-930 P840000 S12128	19.00	2102020 74-C-930 P840000 S38042 (122506)	19.00
(MUST AGREE WITH BILLING AGENCY TOTAL) TOTAL	19.00	(MUST AGREE WITH CUSTOMER AGENCY TOTAL) TOTAL	19.00

Details of charges or reference to attached supporting documents

A. Name of individual or company (debtor): DOE, JANE.

B. SSN - if individual, EIN - if company, or leave blank: XXX-XX-XXXX.

C. Category of debtor (circle one): A B C D E

D. Uncollected penalty charges accrued \$ 1.20.

E. Uncollected processing and handling charges accrued \$ 15.00.

F. Uncollected late payment interest charges accrued \$ 3.00 and rate of interest assessed the debtor 6 %.

G. If the collection is for an appropriation reimbursement receivable, identify the collection as funded or automatic (circle one): F A N/A

H. Other accounting classification(s) and amount(s): 2182010 01-C-930 P1011 S99999 21.00
2182010 01-C-930 P1111 S99999 15.00
21R3210.0001 3.00

BILLING AGENCY CONTACT: J. JONES

PREPARED BY J. JONES

APPROVED BY _____

TELEPHONE NO. AUTOVON XXX-XXXX

CERTIFICATION OF CUSTOMER OFFICE

I certify that the items listed herein are correct and proper for payment from and to the appropriation(s) designated.

(Date)

(Authorized administrative or certifying officer)

(Telephone No.)

Original - Forward To Customer For Payment

Figure 15-9. Sample of a completed SF 1081 for debt transfer